2023

International provider of sustainable infrastructure products and services

Hill & Smith PLC
Annual Report for the year ended 31 December 2023

Hill & Smith PLC

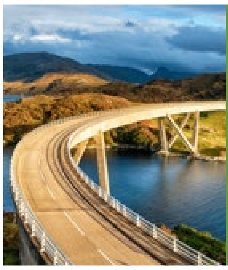
INTRODUCING OUR 2023 ANNUAL REPORT

WHO WE ARE

Hill & Smith creates sustainable infrastructure and safe transport through innovation.

The Group employs c. 4,400 people worldwide with the majority employed by its autonomous, agile, customer focused operating companies based in the UK, USA, India and Australia.

WHAT'S IN THIS REPORT



OUR STRATEGY

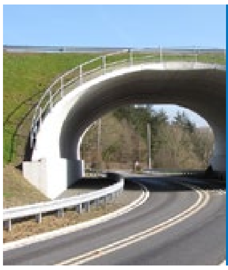
Read more on pages 14 to 15

OUR BUSINESS MODEL

Read more on pages 16 to 17

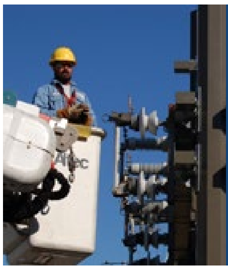
OUR ENGAGEMENT WITH STAKEHOLDERS

Read more on pages 32 to 35



OUR SUSTAINABLE APPROACH

Read more on pages 36 to 55



OUR FINANCIAL STATEMENTS

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OUR INVESTMENT PROPOSITION

DELIVERING LONG TERM STAKEHOLDER VALUE

Structural growth underpinned by the need for infrastructure investment in our core markets

Read more on pages 16 to 17

Market leader, with strong track record, in attractive niches with high barriers to entry

Read more on pages 22 to 31

Sustainability at the core of our business model

Read more on pages 36 to 55

Entrepreneurial culture supported by an autonomous operating model

Read more on pages 14 to 17

High, and improving, returns profile

Read more on pages 22 to 31

Strong balance sheet, supported by excellent cash generation, enabling the Group to take advantage of significant organic and inorganic opportunities

Read more on pages 29 to 31

GROUP HIGHLIGHTS

Continuing operations

Revenue

£829.8m

(2022: £732.1m)

+13%

% change OCC +5%

% change at constant currency +14%

Underlying operating profit

£122.5m

(2022: £97.1m)

+26%

% change OCC +12%

% change at constant currency +26%

Underlying operating margin

14.8%

(2022: 13.3%)

+150bps

Underlying profit before tax

£111.9m

(2022: £87.9m)

+27%

Underlying earnings per share

105.4p

(2022: 85.4p)

+23%

Dividend per share

43p

(2022: 35p)

+23%

HIGHLIGHTS

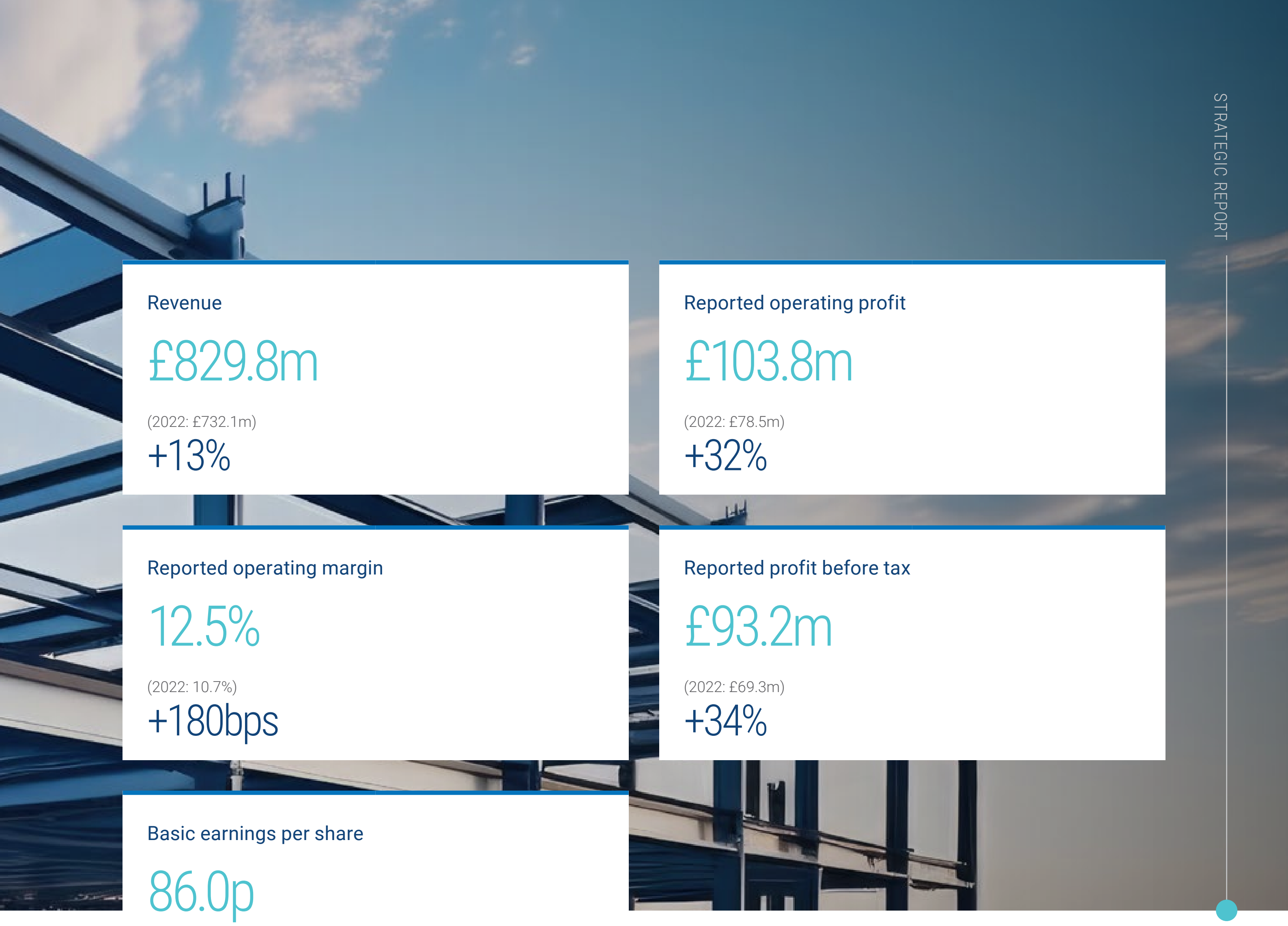
Record trading performance

- Revenue up 14% and underlying operating profit up 26% on a constant currency basis
- Underlying operating margin increased by 150bps to 14.8%, reflecting volume growth and improved portfolio mix
- Strong momentum across US businesses, with standout performance in composites and electrical utility business
- US representing 76% of 2023 underlying operating profit
- Resilient performance in our UK businesses given market conditions

Positive momentum on M&A

- £48m spent on growth and margin accretive acquisitions in 2023
- All recent acquisitions are trading in line or ahead of expectations
- Further £11.6m across two acquisitions, 2024 year to date
- Strong M&A pipeline

All underlying measures exclude certain non-underlying items, which are as detailed in note 5 to the Financial Statements and described in the Financial Review. References to an underlying profit measure throughout this announcement are made on this basis. Non-underlying items are presented separately in the Consolidated Income Statement where, in the Directors' judgement, the quantum, nature or volatility of such items gives further information to obtain a proper understanding of the underlying performance of the business. Underlying measures are deemed alternative performance measures ('APMs') under the European Securities and Markets Authority guidelines and a reconciliation to the closest IFRS equivalent measure is detailed in note 4 to the financial statements. They are presented on a consistent basis over time to assist in comparison of performance.



Revenue

£829.8m

(2022: £732.1m)

+13%

Reported operating profit

£103.8m

(2022: £78.5m)

+32%

Reported operating margin

12.5%

(2022: 10.7%)

+180bps

Reported profit before tax

£93.2m

(2022: £69.3m)

+34%

Basic earnings per share

86.0p

(2022: 66.7p)

+29%

Strong cash generation and enhanced ROIC

- Cash conversion 115% (2022: 51%)
- ROIC 22.0% (2022: 19.2%)
- Covenant leverage at 0.4 times, providing significant capacity for investment in organic and inorganic growth

Final dividend proposed of 28.0p, making a total dividend of 43.0p, up 23%

Well-positioned in infrastructure markets with attractive structural growth drivers. Expect to make further progress in 2024 and beyond

Where we refer to organic constant currency ('OCC') movements, these exclude the impact of currency translation effects and acquisitions, disposals and closures of subsidiary businesses. In respect of acquisitions, the amounts referred to represent the amounts for the period in the current year that the business was not held in the prior year. In respect of disposals and closures of subsidiary businesses, the amounts referred to represent the amounts for the period in the prior year that the business was not held in the current year. Constant currency amounts are prepared using exchange rates which prevailed in the current year.

OUR GROUP AT A GLANCE

OUR PURPOSE

Creating sustainable infrastructure and safe transport through innovation.

OUR CORE BUSINESS UNITS

ENGINEERED SOLUTIONS

Supplying engineered composite and steel solutions for a wide range of infrastructure markets, including energy generation and distribution, marine, rail and housing.

The division also supplies seismic protection solutions and engineered pipe supports for the water, power and liquid natural gas markets.

Read more on page 25

GALVANIZING SERVICES

Supplying a service that dramatically increases the sustainability and maintenance free life of steel products.

This includes structural steelwork, lighting, bridges, agricultural equipment and other products for the industrial and infrastructure markets.

Read more on page 26

ROADS & SECURITY

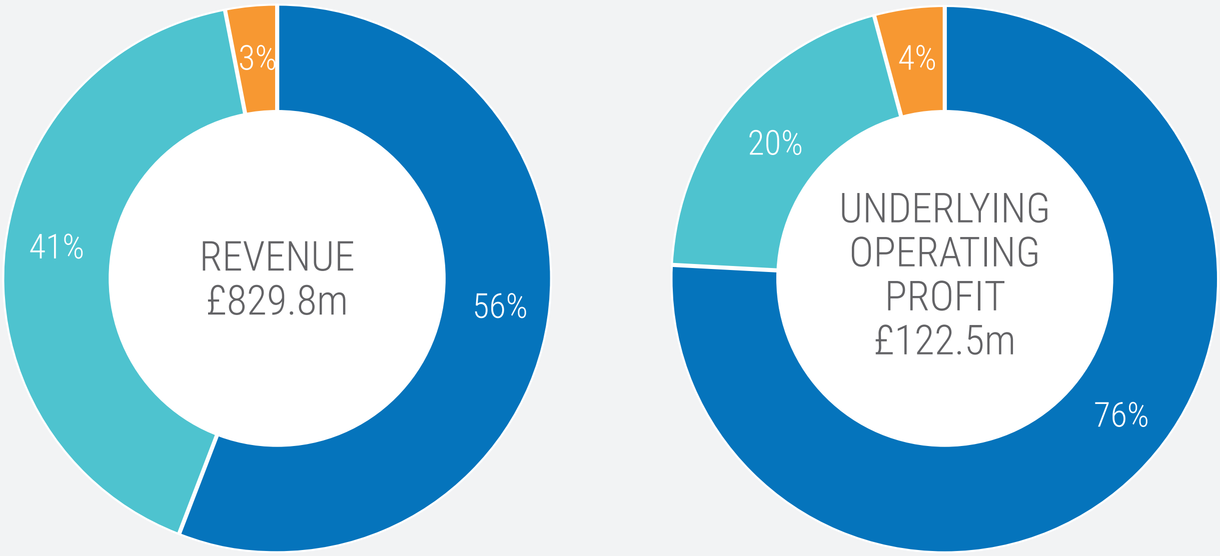
Supplying products and services to support road and highway infrastructure including temporary and permanent road safety barriers, renewable energy lighting and power solutions, intelligent traffic solutions, street lighting columns and bridge parapets.

The security portfolio includes hostile vehicle mitigation solutions, high security fencing and automated gate solutions.

Read more on pages 27 to 28

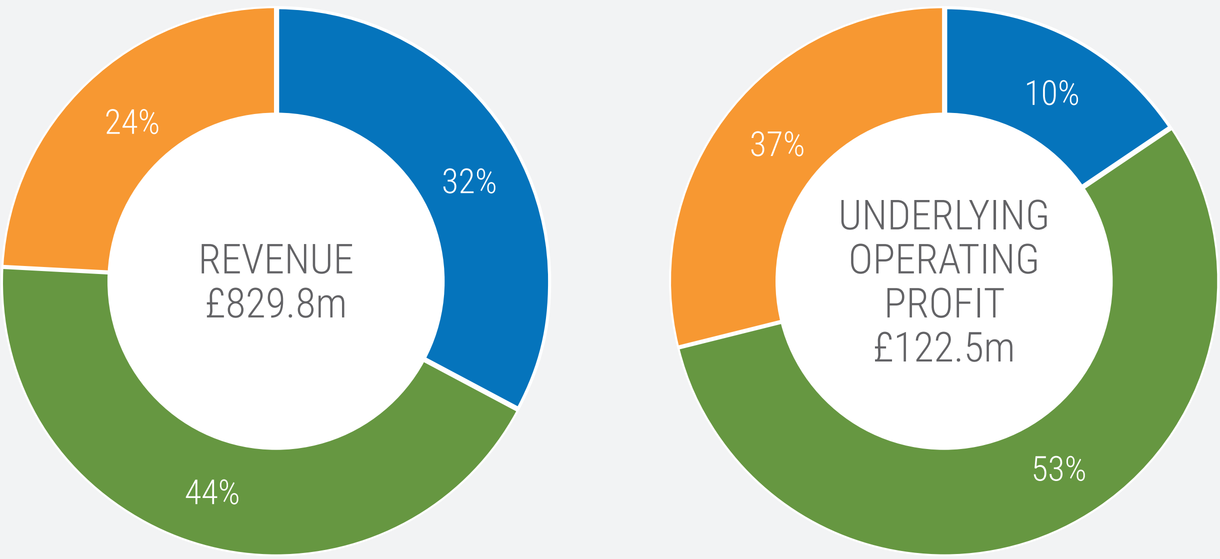
GROUP OVERVIEW

By geography



US UK Rest of World

By division



Engineered Solutions Galvanizing Services Roads & Security

Read more on pages 22 to 31

EXECUTIVE CHAIR'S LETTER

> *"2023 has seen Hill & Smith deliver a record set of results. This is testament to the effectiveness of our autonomous operating model."*
>
> **Alan Giddins**
> Executive Chair

DEAR STAKEHOLDER

2023 has seen Hill & Smith deliver a record set of results. This is testament to the effectiveness of our autonomous operating model, the quality of the leadership within our operating companies, and the skill and dedication of our employees, many of whom I have had the opportunity to meet with over the last 12 months.

Performance Highlights

On a continuing operations basis the Group had revenue of £829.8m (2022: £732.1m) and underlying operating profit of £122.5m (2022: £97.1m), representing a revenue and underlying operating profit growth of 13% and 26% respectively. Underlying operating margins improved from 13.3% to 14.8%.

These results reflect the strong demand for our products and services, particularly in our Engineered Solutions division, where we saw an excellent performance in our US composite and utility businesses. We also saw further positive growth in our Galvanizing Services division, despite a more challenging market in the UK. Our Roads & Security division posted a disappointing headline performance. This reflects a strong performance in our recently acquired off-grid solar business, National Signal, and in our core UK roads businesses, offset by certain non-recurring costs, most notably in our US roads business and in our loss making car park solutions business, which we exited during the year.

During 2023 we completed four acquisitions, investing in aggregate £48.4m. Within US composites we acquired Enduro Composites, a Texas based manufacturer of highly engineered composite products, and United Fiberglass, an Ohio based designer, manufacturer and supplier of composite pipe, conduit and drainage systems. Both businesses have been integrated into the Creative Composites Group. We also acquired Korns Galvanizing, which is now part of our US Galvanizing business. Enduro and Korns have contributed 10 months' trading to this year's results, and both are ahead of our original investment case. United Fiberglass was acquired in November 2023 and starts 2024 with a strong order book. We also acquired the equipment, inventory, customer lists, order book and intellectual property of Conn-Fab Sales, a small bolt-on to our US seismic protection solutions business.

Cash generation was strong across the Group at 115% (2022: 51%). As at 31 December 2023 total net debt was


Welding bay at Lionweld Kennedy, UK

£108.4m (2022: £119.7m), leaving financing headroom of £247.2m on the Group's borrowing facilities. Return on capital employed during the year was 22.0% (2022: 19.2%).

Board

Following the departure of Paul Simmons in July 2022 the Board ran an extensive CEO search process. While we met a number of interesting candidates, we did not feel that we had met the right candidate to lead Hill & Smith. As a result, in May 2023, the Board asked me to continue in my role of Executive Chair.

In December we announced the appointment of Carol Chesney as a non-executive director. Carol brings extensive PLC board experience through her time as an executive at Halma and as a non-executive at Renishaw. Carol will take over from Mark Reckitt as Audit Committee Chair when Mark stands down from the Board at the Annual General Meeting, having completed eight years as a Board member. I would like to thank Mark for the considerable time he has committed to Hill & Smith, and in particular, for the support, help and constructive challenge he has given me as Chair over the last four years. Mark is a very accomplished non-executive director, and has been a significant contributor in helping evolve the Hill & Smith model during his time on the Board.

In January 2024 we announced the appointment of Hooman Caman Javvi as Chief Operating Officer and Board Member. Hooman joined Hill & Smith in March 2022 as Group President, having previously held senior management positions at ABB and Hitachi Energy. Having worked closely with Hooman over the last 18 months I am very excited about the impact he will be able to have in this new role.

Employees

The Group employs c. 4,400 people around the world. How we look after and help develop our employees is critical to the long-term success of the Group. During the year I attended employee forums in both the UK and US, as well as two apprentice forums in the UK. This confirmed to me the considerable potential that sits within our organisation, as well as giving me the opportunity to receive feedback on where we can as a Group do better in helping support and develop our workforce. The success and growth in the number of apprentices in our UK businesses is something which is a huge credit to the organisation.

In September, we conducted our annual worldwide employee engagement survey. This is a critical feedback mechanism, enabling the Board and the executive team to understand how our employees are feeling, their views on the way the business is run and how the business is executing on its strategy. Our engagement levels remain close to the benchmark for other industrial companies but did decrease slightly at a Group level, with cost-of-living pressures in the UK being specifically highlighted. The importance of providing employees with regular recognition was also noted and is something that we will be focused on in 2024. Each business has been asked to prepare a clear action plan in order to address specific issues raised within the engagement survey and these plans are being cascaded throughout each operating company. Progress in delivery against these plans will be reviewed by the Board on a regular basis.

Last year we introduced a Charitable Donation Matching Programme. The programme matches charitable funds raised by our employees on an application basis and was available to employees in all our operating companies. During the year we have matched donations benefiting causes such as the Disaster Committee, Alzheimer's Society and the Downs Syndrome Association of Tulsa.

Governance

The Board continues to be committed to the highest standards of governance, and stakeholder considerations remain central to the Board's decision-making. Our full Corporate Governance Report, including details of our compliance with the UK Corporate Governance Code, is set out on pages 74 to 83.

To reflect my role as an executive within the business the Board agreed to put in place certain additional governance steps within our processes, in addition to which Tony Quinlan took over from me as Chair of the Nomination Committee. These changes have worked well, and I would like to thank all of my Board colleagues for their considerable support over the last 12 months.

Health & Safety

The Board and senior leadership within the Group are focused on ensuring that being a Hill & Smith employee means that everyone has the right to expect to be safe at work. While we have continued to make progress in lowering our lost time incident rate ('LTIR'), we still have work to do in this area.

During the year we made the decision to restructure the management of health and safety, moving away from having a Group Head of Health & Safety to having two geographic heads, covering the UK (including India and Australia) and the US, with these individuals reporting directly into our Group Presidents. This structure allows for greater agility in responding to incidents and in providing localised and targeted support to our operating companies.

Strategy

Hill & Smith has a very clear strategy, which was re-confirmed by the Board in June. Our focus is on investing our capital into our highest growth markets and behind our best businesses and management teams. We then use selective M&A to give us access into new customers, technologies and markets. Delivery of this strategy is dependent on excellence in execution and strong financial and risk management at both a Group and operating company level.

In order to help stakeholders assess our performance, in March 2023 we set out an updated set of medium-term financial targets. These are built around consistent organic growth, clearly targeted M&A, operating margin expansion and strong cash conversion and return on invested capital ('ROIC').

M&A

Our focus is on identifying high quality businesses that complement our strategy and operate in industries where we have existing knowledge. When I was appointed Executive Chair in 2022, I set out to re-invigorate our M&A pipeline and processes, and I am pleased that we have been able to maintain our momentum over the last 12 months. Indeed, we enter 2024 with a strong pipeline of potential targets, an excellent central M&A team based in both the UK and US, and significant financial headroom to fund acquisitions from our balance sheet.

Since the year end we have completed two further acquisitions: Capital Steel, a US supplier of structural steel products and services, principally into the electricity transmission and distribution market, and FM Stainless, a manufacturer of stainless steel pipe supports and fasteners, serving the water and wastewater industry.

Sustainability

Our Sustainability objectives are of critical importance to our ambition to deliver sustainable, profitable growth. We have a Group Sustainability Committee, on which both Hannah Nichols and I sit, and which reports to the Board on a six-monthly basis. During the year we have made significant progress in a number of areas, including having our Science Based Targets initiative ('SBTi') targets submitted and approved. Within our operating companies we have excellent examples of where we have been able to reduce greenhouse gas emissions both through changing our processes, as well as through investment in renewable electricity and the transition away from diesel.

You can read more about our work on sustainability during the year on pages 36 to 55.

Dividend and Annual General Meeting

The Board recognises that dividends play an important role for investors, both current and potential. I am pleased therefore, to confirm the Board has proposed a final dividend of 28p (2022: 22p) which, if approved, would result in a full year dividend of 43p (2022: 35p), keeping dividend cover of around 2.5 times underlying earnings.

The Annual General Meeting of the Company will be held at 11.00 a.m. on Thursday 23 May 2024 at Cranmore Park Conference, Event & Exhibition Centre, Cranmore Avenue, Shirley, West Midlands, B90 4LF, United Kingdom. The meeting is an ideal forum for raising any questions you may have of your Board, and I hope many of you will take advantage of this opportunity. I very much look forward to meeting you there.

Looking Ahead

2024 is the 200th anniversary of Hill & Smith. From modest beginnings as a partnership between Edward Hill and his brother-in-law, Henry Smith, the business has evolved and grown to become an international group serving a range of attractive infrastructure end markets. There is much to be proud of within our history.

Looking forward I feel very confident about the Group's ability to deliver strong medium and long term growth and value for our shareholders, while providing excellent career opportunities for our employees. Our entrepreneurial culture, proven business model, strong leadership team and attractive end markets are a very powerful combination.

Alan Giddins
Executive Chair
11 March 2024

"Looking forward I feel very confident about the Group's ability to deliver strong medium and long term growth and value for our shareholders."

OUR PRODUCTS

WATERWAYS AND DOCKLANDS

Pier protection

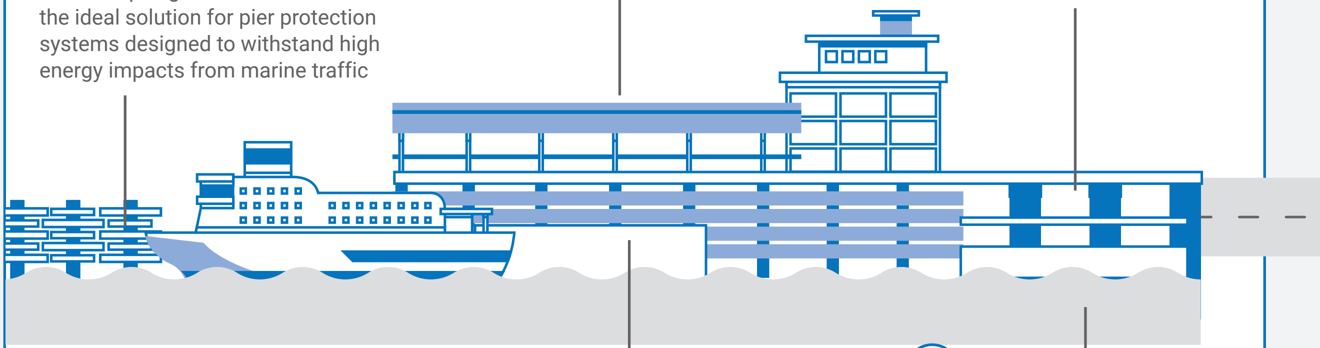
Fiber Reinforced Polymer ('FRP') large diameter pilings and wale beams are the ideal solution for pier protection systems designed to withstand high energy impacts from marine traffic

Piers & walkways

FRP composite material does not leach, flake or rot into water systems and can replace wood in marine applications

Dockside camels

An attractive option to protect both vessels and piers from damage, FRP composite material's ability to resist corrosion in a harsh saltwater environment makes it an environmentally friendly solution



Maritime guide walls

FRP flexible fender system that bends under vessel contact but then recovers without breaking

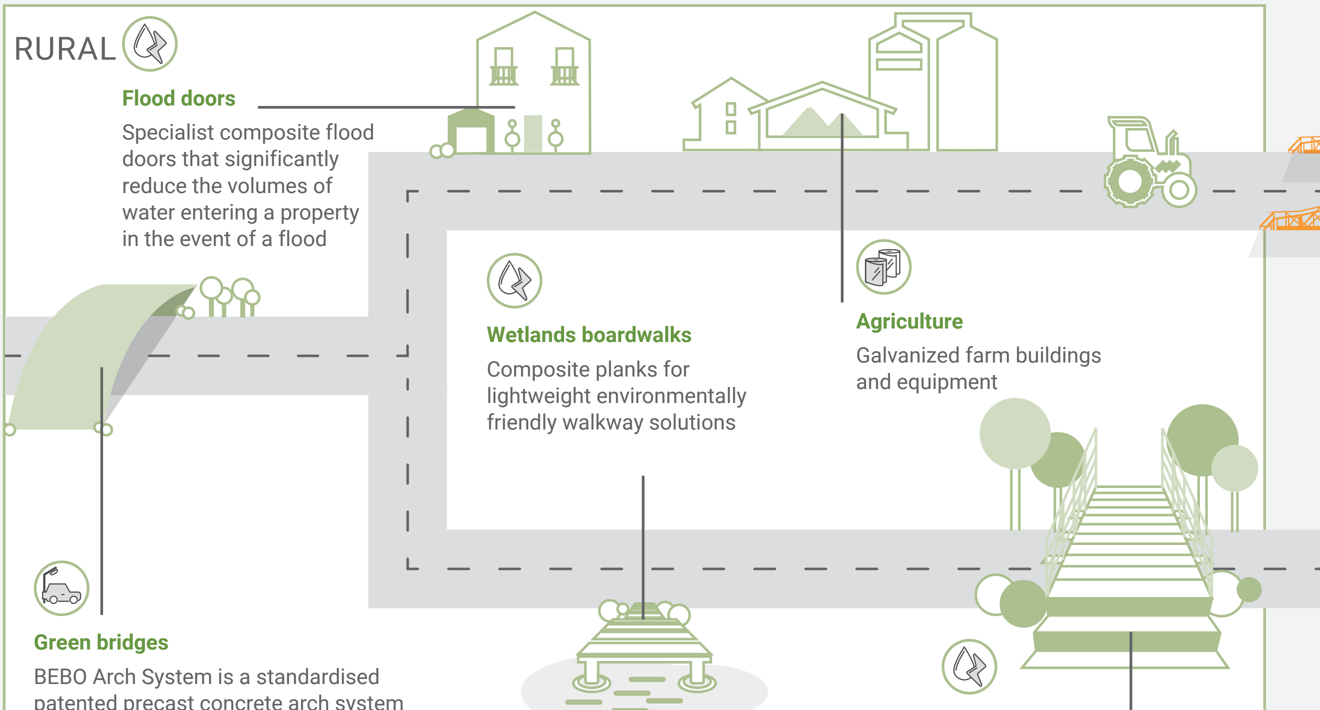
Flood defences

FRP flood protection. Movable dams that can be raised and lowered during changing water levels

RURAL

Flood doors

Specialist composite flood doors that significantly reduce the volumes of water entering a property in the event of a flood



Wetlands boardwalks

Composite planks for lightweight environmentally friendly walkway solutions

Agriculture

Galvanized farm buildings and equipment

Green bridges

BEBO Arch System is a standardised patented precast concrete arch system for the design and construction of grass covered bridges, tunnels, culverts and other underground structures

Trail bridges

Lightweight, strong, portable and long lasting FRP bridges for parks and trails

Roads & Security | Engineered Solutions | Galvanizing Services

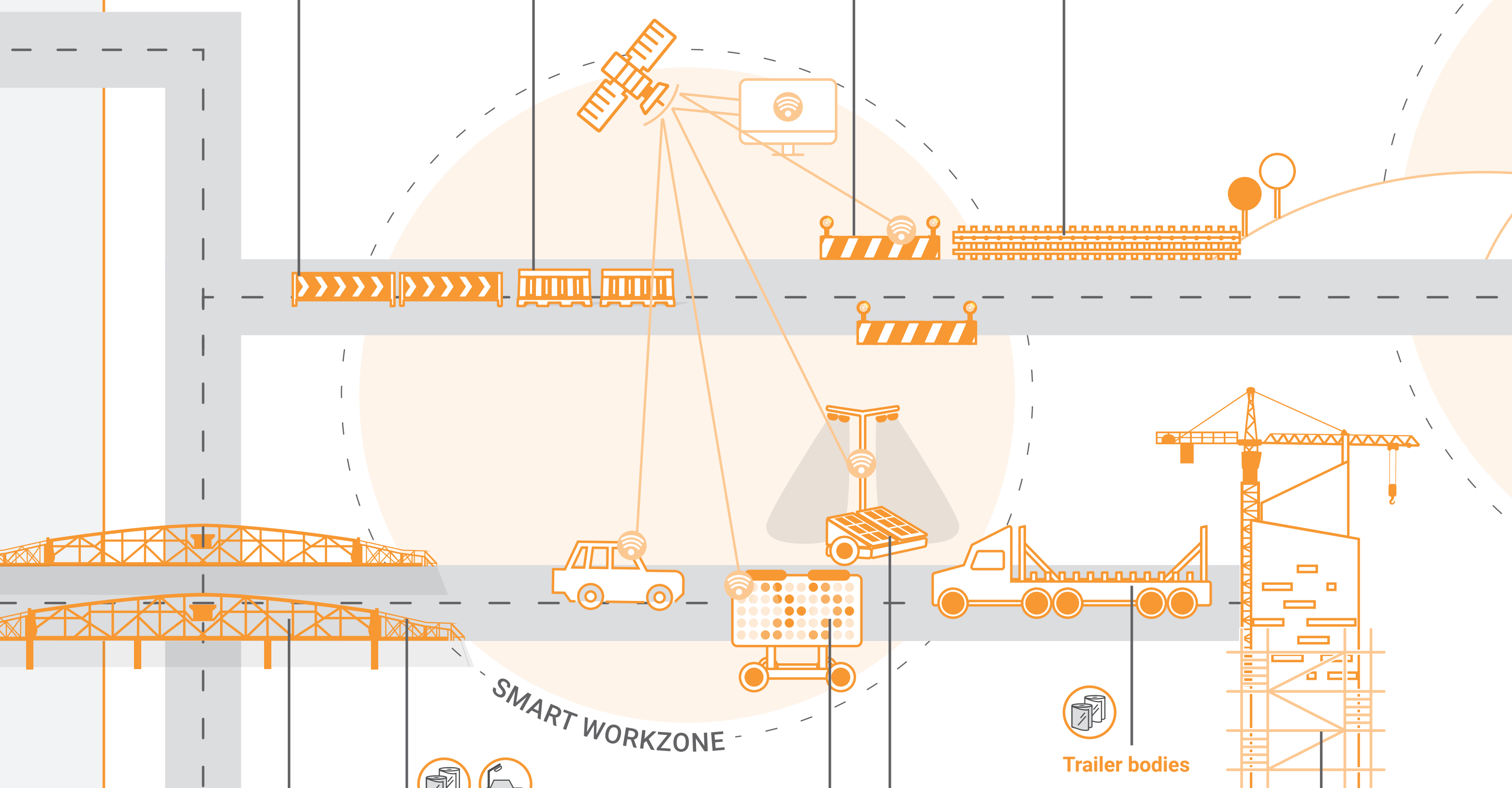
SUBURBAN

Temporary safety barrier
Metal and concrete work zone protection for roadworks and traffic management

Zoneguard temporary barrier
Protects road work employees, whilst allowing continued safe traffic flow

Crash cushions
The Smart Cushion® and Smart Pod crash attenuators, with remote monitoring, are a revolutionary, speed-dependent products that varies, stopping resistance during an impact

Roadside barrier
Metal roadside crash protection



Trailer bodies
Galvanized metal chassis

Bridge parapets
Bridge-side crash protection

Work zone solar powered lighting
Sustainable solar powered lighting backed up by innovative technology and industry-leading remote monitoring and control

Bridges
Galvanized road bridges

Road message boards
Integrated Traffic Solutions enhance transportation and improve safety and mobility in and around work zones. Includes internet connectivity with motor vehicles

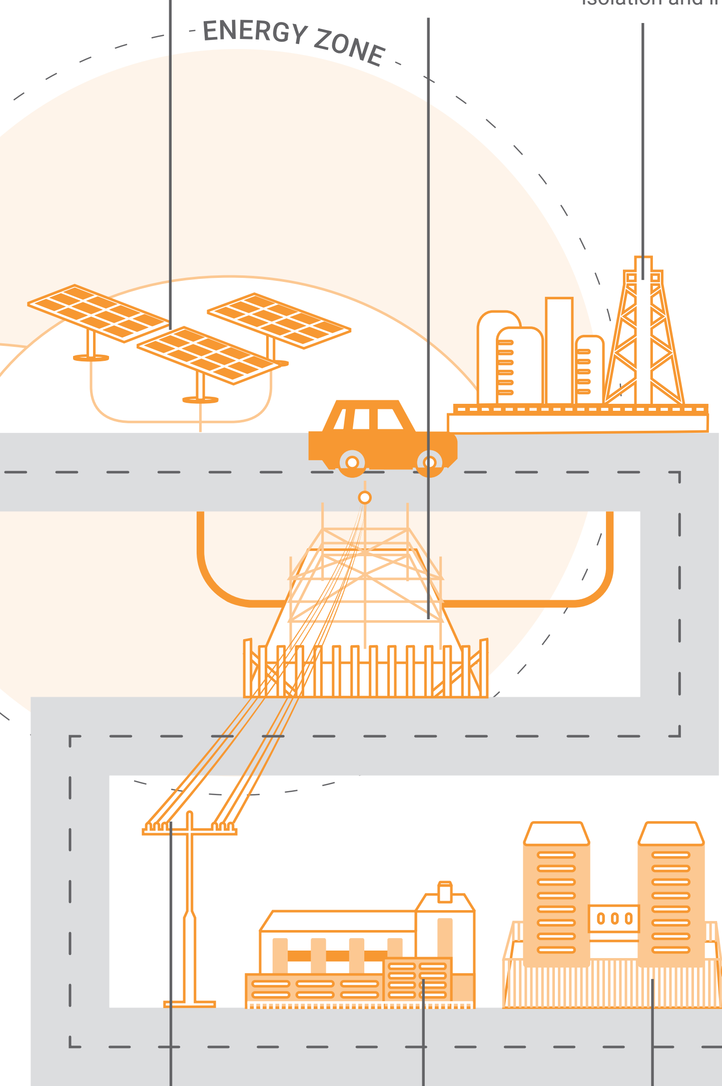
Construction
Galvanized structural steel

Pedestrian cycleway, underpass or culvert
Corrugated structure designed for a range of applications

Solar panels
Galvanized steel frames for solar panels

Electrical substation
Electric transmission solutions using steel and composite materials

LNG Plant
Metal grating and flooring and engineered support products, including cryogenic pipe supports that provide isolation and insulation



Electrical transmission poles
Steel transmission poles and composite poles that do not biodegrade

Semi Conductor Plant
FRP products that have the durability and abrasion resistance to outperform conventional materials in harsh and acidic environments

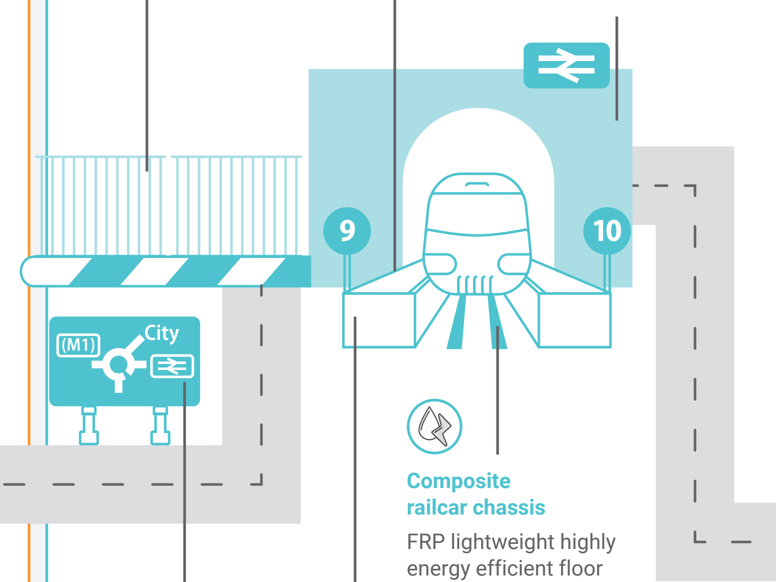
Data centre security systems
Palisade perimeter security fencing, hostile vehicle and data centre protection

TOWN AND CITY

Composite rail platforms
FRP corrosion resistant structures and lightweight panels providing cost effective and convenient solutions

MASS temporary security fencing
Highly visible temporary safety solution protecting sites, workforces and pedestrians

Retaining Wall
Versatile solutions for retaining wall construction



Composite railcar chassis
FRP lightweight highly energy efficient floor panels and door jambs for refrigerated freight cars

Street signs
Street sign materials

Ballast Retention Systems
Designed to reduce levels of maintenance on ballast shoulders

Apartments (Fire doors)
Fully tested, accredited apartment entrance doors for use in internal and external applications

Hotels (A/C)
Modular cooling tower design delivering low lifecycle costs, durability and sustainability

Solar powered street lights
Solar lighting for streets, car parks and footpaths offering powerful and reliable year-round lighting without noise or emissions

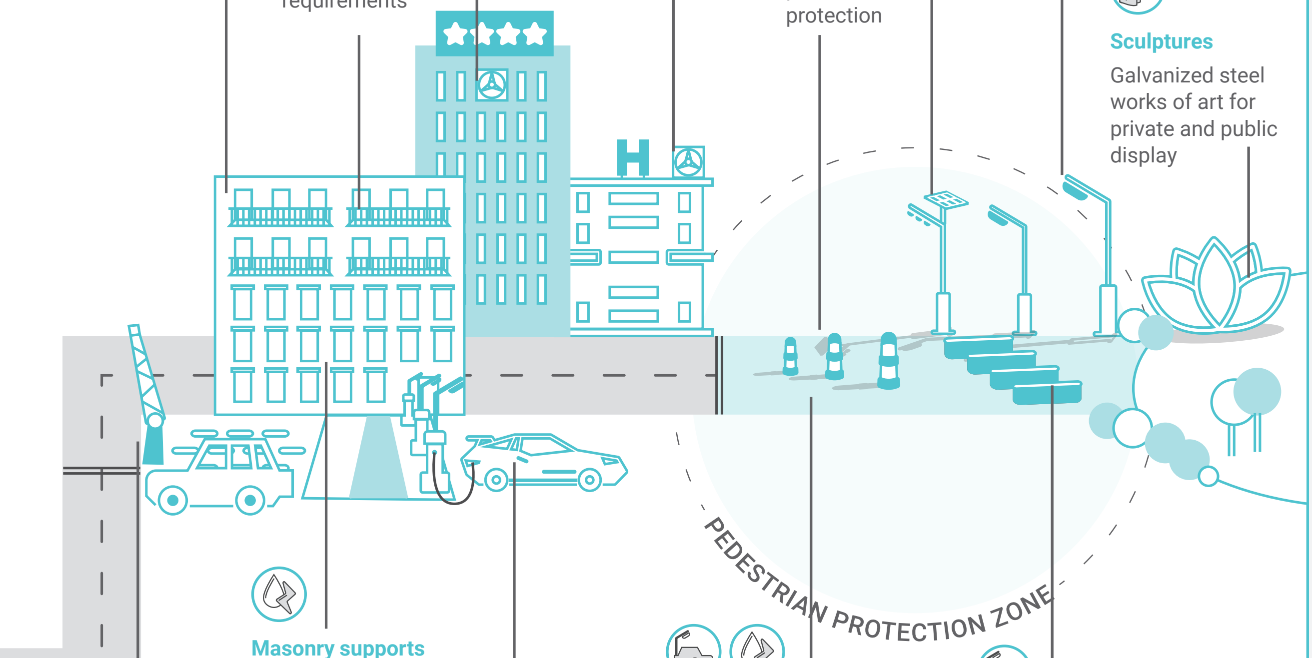
Apartments (Balconies)
Structural shapes for both residential and commercial applications, with minimum maintenance requirements

Hospital (A/C)
Seismic and anti-vibration cooling towers for critical rooftop applications, that bridge the gap between sustainability and energy efficiency

Pedestrian safety bollards
Impact tested security bollards providing pedestrian protection

Street lights
Manufacture and distribution of steel and aluminium lighting columns

Sculptures
Galvanized steel works of art for private and public display



Masonry supports and wind posts
Providing steel support systems for buildings

Parking and security gates
Manufacturers of parking control equipment

Electric charging points
Charge points incorporated into our street lighting columns

Composite pedestrian walkways
Low maintenance lightweight FRP recreational and public access elevated boardwalks and sidewalks

Hostile Vehicle Mitigation
Hostile Vehicle Mitigation solutions ranging from small single gate installations to large state events requiring a full secure island site

CASE STUDY

CREATIVE COMPOSITE GROUP'S WATERFRONT PRODUCT RANGE – AN ECOLOGICAL SOLUTION

New Jersey's fishery and aquaculture (primarily hard clam and oyster production) industry contributes more than $1 billion annually to the state's economy. The state has restricted the use of chemical treated wood in designated shellfish habitat areas due to environmental concerns. Legislation also now requires that all new or replacement structures in these areas must be built with non-polluting material.

Creative Composites Group's ('CCG') Fiber Reinforced Polymer ('FRP') StormStrong® pipe and sheet pilings product range offers an ideal solution for waterfront applications. FRP is an ecologically-sound material and has been adopted as environmentally safe by the New Jersey Department of Environmental Protection and other states along the East Coast.

CCG's piling product range offers a high strength, light weight, corrosion resistant alternative and is available in a wide range of thicknesses and diameters. The design flexibility and optimal energy absorption allow the products to be engineered for use in pier fender systems, ship berthing and mooring applications and guide and slip walls. FRP piles are easy to transport and can be integrated into existing construction with minimal replacement costs. A compelling solution to a customer problem, playing an important role in protecting sensitive marine ecosystems.

Why?

Creating sustainable infrastructure and safe transport through innovation

Where?

NICHE MARKETS
- High barriers to entry
- Moderate competition
- Higher growth and margins

MACRO DRIVERS
- Increasing population
- Urbanisation
- Climate change
- Increasing health and safety standards

MARKET DRIVERS
- Ageing infrastructure
- Industrial onshoring
- Sustainable materials

How?

ORGANIC GROWTH

- Autonomous operating model
- Agility and proximity to market
- Premium on talent
- Innovation

M&A ENHANCES GROWTH

- Enabling access to new customers, markets and technologies
- Focus on quality and organic growth
- Disciplined evaluation and integration

SUSTAINABILITY

- Protecting the world
- Saving and enhancing lives
- Sustainable governance

FINANCIAL MODEL

- Strong profit growth and cash generation
- Reinvesting capital to accelerate organic growth and M&A
- Sustainable, progressive dividend
- Maintaining conservative leverage

What?

Superior long-term stakeholder value

OUR BUSINESS MODEL

WE ARE GUIDED BY OUR PURPOSE:

WHERE WE OPERATE

Niche markets

Fast growing niches

We focus on fast growing niches that have high barriers to entry and deliver high margins. We prefer applications that are of critical importance to our customers and where our offering is a small part of a larger ecosystem. We are market leaders in the niches in which we operate and do not typically compete against larger commoditised players. Our decentralised operating model allows us to focus on these smaller opportunities.

Macro drivers

Increasing population

As populations grow, the need for safe, sustainable infrastructure increases to ensure congestion does not erode economic productivity, quality of life or increase pollution.

Urbanisation

The population of people living in towns and cities is increasing, which creates the risk of insufficient infrastructure, and increased pollution due to industrial activities. Investment in infrastructure will be needed to address these concerns.

Climate change

The urgent requirement to limit global warming is driving a transition to clean energy sources and increasing demand for sustainable infrastructure. The increased frequency of extreme weather events is also creating a need for more resilient infrastructure.

Increasing health and safety standards

The impacts of more demanding health and safety standards are seen across our markets, from the implementation of new requirements for crash barriers to the requirement for transmission poles to be resistant to wildfires.

Market drivers

Ageing infrastructure

The requirement to upgrade ageing infrastructure to increase resilience and cope with future demands is driving significant multi-year government and private investment in the geographies in which we operate.

Industrial onshoring

Recent years have seen a return to onshoring to improve supply chain control, avoid rising foreign production costs and help domestic economies grow. We see this as a key growth driver for our US businesses.

Sustainable materials

The drive towards sustainability impacts the choice of material for infrastructure applications, placing a premium on materials that are long lasting, minimise environmental impacts and are suitable for the circular economy.

Driving organic growth

M&A enhancing growth

Sustainability supporting growth

Financial model

CREATING SUSTAINABLE INFRASTRUCTURE AND SAFE TRANSPORT THROUGH INNOVATION

HOW WE OPERATE

Our autonomous operating model

We operate a decentralised autonomous business model, which encourages an entrepreneurial culture and highly accountable local management teams. This approach fosters agility and customer intimacy, ensuring that decisions are made close to the market and that our businesses can respond rapidly both to opportunities and to changes in their competitive environment. Our small head office team helps set the ambition for each operating company, so that our businesses deliver on their full potential, and ensures that we have the right KPIs and controls in place across the Group.

Talented people

Our autonomous model attracts talented people who want to make a difference. We run Group-wide talent and development programmes to nurture and support our high potential talent.

Innovation

Innovation is instrumental to supporting our long term organic growth targets and we are committed to developing products that meet evolving customer and market needs. In the short term we continue to build the capability to accelerate our rate of innovation through skills development and Group-wide workshops.

Disciplined M&A

Acquisitions form a key part of our growth strategy, enabling the Group to expand into new customers and markets and into new technologies. We focus on high quality businesses with attractive organic growth potential. All potential acquisitions are tightly evaluated to ensure they fit with our strategic and financial criteria. Once acquired, we implement a rigorous and detailed integration plan.

Sustainability

Sustainability is fundamental to how we operate and underpins our growth strategy. Our products and services help infrastructure become more sustainable, with the environment and our customers benefiting through the value that our diverse offerings provide. We have identified seven sustainability priorities for the Group across three themes: protecting the world, saving and enhancing lives, and sustainable governance. For further details please refer to our Sustainability report on pages 36 to 55.

Strong cash generation and reinvestment in growth

Our financial model is based on driving profit growth and strong cash generation. This allows us to reinvest capital to accelerate organic growth, to make high quality acquisitions and to deliver a sustainable, progressive dividend policy while maintaining conservative balance sheet leverage.

THE VALUE WE CREATE

Increasing shareholder value

Delivering superior shareholder value

105.4p +23%

Underlying Earnings per share

43p +23%

Dividend

Employment for local communities

We are committed to ensuring that we provide stable, inclusive employment for all members of the local community

c. 4,400

Employees across 61 sites

Playing our part in sustainability

We are committed to reducing our greenhouse gas emissions and have signed up to the Science Based Targets initiative (SBTi)

4,175

No of tonnes of CO_2e reduced*

* vs base year, scope 1 and 2

See note on page 38 for additional information

CASE STUDY

US INFRASTRUCTURE – A LONG TERM STRUCTURAL GROWTH DRIVER

Hill & Smith is exceptionally well placed to benefit from long term, multi year industrial expansion in the US. Key expansion activities include:

Onshoring – resulting in significant demand for construction of industrial plants for semiconductor manufacture, battery production, LNG and other industrial applications.

Technology change – driving significant multi year growth in data centre construction and electric vehicle assembly.

Government investment – providing long term funding to upgrade and expand US infrastructure.

The Infrastructure Investment and Jobs Act ('IIJA') authorises $1.2 trillion of infrastructure spending with $550 billion of new federal spending to be allocated to infrastructure projects (FY21-27). With many IIJA projects being required to pass design and planning phases prior to construction on site, we are expecting to see an increasing number of IIJA related project opportunities as we move into 2024 and beyond.

Supporting the onshoring trend, the CHIPS Act provides $52.7 billion for American semiconductor research, development, manufacturing, and workforce development, of which $39 billion is for manufacturing incentives.

US INFRASTRUCTURE GROWTH – IIJA FUNDING STARTING TO FLOW

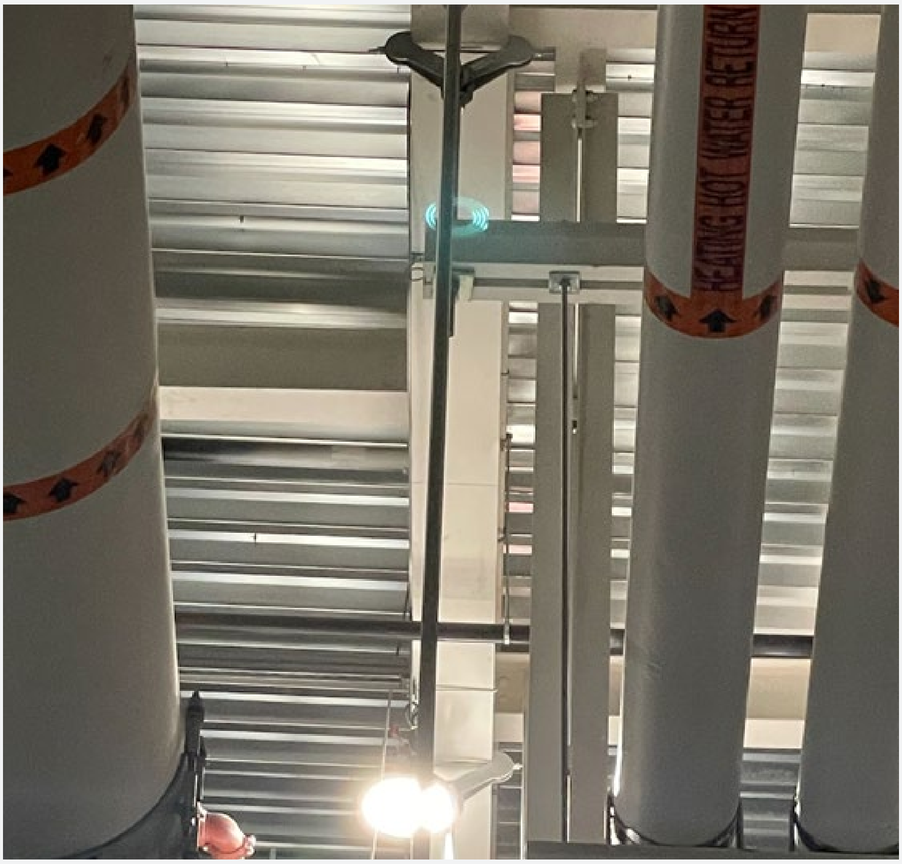
Our US Galvanizing business has started to see the benefit of IIJA projects, particularly in the bridge and highway sectors. An example of a current project is the North Portal Bridge Replacement in Secaucus, New Jersey. The bridge is an important element of the broader Gateway Program that will eventually double rail capacity between Newark and New York. The outdated existing bridge will be replaced with a modern, high level structure with a span of nearly 2.5 miles. The project is being funded by a Capital Investment Grants Program.

Our Lebanon plant will be galvanizing over 3,450 tonnes for the project including H-pile beams for the bridge foundation and structural steel cross frames, diaphragm components and splice plates. Upon completion of the galvanizing, the steel will be used to build both approach sections of the bridge.

Our US Galvanizing business will continue to see more bridge related IIJA projects become a reality in 2024 as purchase orders have already been received for a large number of short span and long span bridges across ten states. Other notable infrastructure projects such as JFK Airport Expansion, Boston Logan Airport Improvements, Gold Star Memorial Bridge Rehabilitation, Hunt Point Terminal Intermodal, and the Hudson Tunnel Project will continue to increase galvanizing market demand in the region of our plant locations.

CASE STUDY

US INFRASTRUCTURE GROWTH – ELECTRIC VEHICLE MANUFACTURE AND ASSEMBLY



The Group is well positioned to benefit from increasing investment in infrastructure to support the growth in new technologies including electric vehicle ('EV') manufacture and assembly. An example of this is the Ford Blue Oval project, the construction of a revolutionary EV manufacturing and assembly facility in Kentucky that is reported to be the biggest EV factory under one roof in the western hemisphere.

The Paterson Group ('TPG'), one of the operating companies within our Engineered Solutions division has had an important role to play in the project. First it provided specialised engineering analysis to determine the stress and loads required to hang and support hundreds of miles of elevated piping that carry a range of liquids and gasses throughout the complex. It then manufactured and supplied a range of engineered hanger support products for the project, with over 10,000 components provided in total, far exceeding any other order by size in the company's history.

To meet Ford's demanding build schedule, the TPG operations team developed a new production strategy to manufacture the high quantity of components while maintaining production quality. This was supported by investment in advanced fabrication technology that included a Peddinghaus Plate Processor, a Yaskawa Robotic Welder nicknamed "Rosie" after the famous WW II female welder, and a CNC plate roller. The team at our Waggaman plant built custom fixtures specifically for the customer, facilitated by the new equipment. These highly automated, state of the art work stations increased TPG's productivity significantly over traditional methods and enabled the team to deliver on time with flawless product and improved operator safety.

MEASURING OUR PERFORMANCE

ORGANIC REVENUE GROWTH

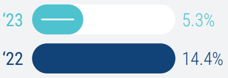
Link to strategy

Our autonomous operating model, focus on growth drivers and the premium placed on talent and innovation are designed to drive organic growth across all of the Group's businesses.

KPI definition

Percentage change in annual revenue excluding the effects of acquisitions, disposals and currency translation

Performance



Comment

Organic revenue growth of 5.3% was in line with the Group's target of 5%-7% annual growth and reflected an exceptional performance in our Engineered Solutions division, supported by a robust outturn in Galvanizing Services.

UNDERLYING OPERATING PROFIT MARGIN

Link to strategy

We focus on investing in higher return markets and continually examine our portfolio of businesses, with the aim of increasing quality at each iteration.

KPI definition

Underlying operating profit as a percentage of revenue.

Performance

Comment

The underlying operating margin improved by 150 basis points to 14.8% in 2023, reflecting the benefits of volume growth and improved portfolio mix. The Engineered Solutions division was the key driver, with margin improving to 17.5% (2022: 12.1%).

UNDERLYING CASH CONVERSION

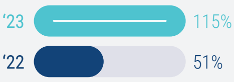
Link to strategy

Our ability to fund growth investments, both organic and inorganic, and progressive returns to shareholders is dependent on us operating a cash-generative model.

KPI definition

Adjusted operating cash flow as a percentage of underlying operating profit. The calculation of adjusted operating cash flow is explained in note 4 to the Financial Statements.

Performance



Comment

Underlying cash conversion for the year was very strong at 115%, reflecting a tight focus on working capital efficiency and a relaxation of the inflationary environment experienced in 2022. We expect the Group to continue to deliver strong cash conversion in 2024, in line with our target of exceeding 80% conversion.

RETURN ON INVESTED CAPITAL ('ROIC')

Link to strategy

We have a disciplined M&A strategy that targets businesses with strong growth and return metrics, alongside a capital investment programme centred on our higher growth, higher return end markets.

KPI definition

Underlying operating profit divided by average invested capital. Invested capital is defined as the sum of intangible assets, property, plant and equipment, right-of-use assets, assets and liabilities held for sale, inventories, trade and other receivables, and trade and other payables.

Performance

Comment

Group ROIC improved significantly to 22.0% (2022: 19.2%), ahead of the Group's target of 18%. The improvement reflects a combination of the strong trading performance and our disciplined approach to capital allocation.

LEVERAGE

Link to strategy

We seek to maintain conservative leverage that minimises liquidity risk without compromising our ability to invest in both organic and inorganic growth opportunities.

KPI definition

The ratio of net debt to EBITDA, as defined in the covenant requirements of the Group's borrowing facility agreements.

Performance

Comment

The Group was highly cash generative in 2023 and despite investing £48m in acquisitions, leverage fell marginally to 0.4x, providing significant firepower to invest in organic and inorganic growth opportunities. The Group targets a leverage range of between 1.0 and 2.0 times Net Debt/EBITDA.

GREENHOUSE GAS EMISSIONS

Link to strategy

Cost reductions and greater efficiency, improve not only our operating margins but also the sustainability of our operations.

KPI definition

CO_2e emissions, year on year, from scope 1 and scope 2 on a market-based usage basis.

Intensity ratio calculated as tonnes of CO_2e per £000s of Revenue.

Performance

Comment

Understanding the source of the Group's scope 1 and scope 2 emissions has helped the Executive Board to understand the route to net zero, recognising that the use of natural gas in our galvanizing operations represents our biggest challenge. However, all our operating companies are making changes to the way they manage their energy use in order to support the Group in meeting its targets. In December 2023, our scope 1, 2 and 3 targets were validated by the SBTi.

See notes to the table on page 38 for more details.

HEALTH AND SAFETY

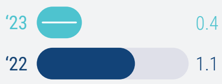
Link to strategy

The health & safety performance of each subsidiary is key to our management of the Group as a responsible employer and to our reputation in the markets in which we operate.

KPI definition

Lost time incident rate (No. of incidents divided by hours worked x 100,000).

Performance



Comment

The Executive Board has maintained significant focus on Health & Safety in 2023. Any operating company that suffers a lost time incident is required to report the root cause analysis and corrective actions to the Executive Board and the learnings are shared with all the operating companies. During 2023 we appointed new Heads of Health & Safety in both the US and UK (including Rest of World) to further drive our improvement plans.

EMPLOYEE ENGAGEMENT

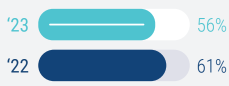
Link to strategy

We need a highly engaged and talented workforce working within our operating companies to deliver our purpose and growth ambitions.

KPI definition

The percentage of our worldwide workforce who feel positively engaged with our Group, as determined by independent employee engagement surveys.

Performance



Comment

The results of the 2023 Employee Engagement scores were disappointing, and whilst in line with the industrial benchmark of the companies in which we operate, were not at a level we aspire to. We will be focusing our operating companies on their action plans to improve engagement throughout 2024.

OPERATIONAL AND FINANCIAL REVIEW

2023 Review

We are pleased to report that the Group delivered another record performance in 2023. This impressive achievement reflects strong momentum in our US businesses, which are focused on structurally growing infrastructure markets, and a resilient performance in our UK businesses, underpinned by the leading positions they hold in their respective niche markets. The results are also testament to the talent and commitment of our local teams and the effectiveness of our agile, decentralised operating model.

Revenue increased by 14% and underlying operating profit increased by 26% on a constant currency basis. Group underlying operating margin increased by 150bps to 14.8%, reflecting the benefits of volume growth and evolving portfolio mix. 2023 also benefited from the strong performance of our recent acquisitions, contributing c.£74m of revenue and c.£13m of underlying operating profit in the year, at a margin above the Group average.

The Engineered Solutions division delivered an excellent performance with all businesses trading well. In particular, the US composite business saw high demand for its range of composite solutions and our business supplying structural steel products into the US electrical transmission and distribution market also performed strongly.

In Galvanizing Services, our US business delivered record revenue and operating profit, underpinned by strong volume growth across a range of infrastructure end markets. As expected, our UK business experienced more challenging end markets, with lower volumes and operating profit compared to 2022, which was a strong comparator period.

While Roads & Security benefited from buoyant demand at National Signal, our US off-grid solar lighting solutions business, and a robust performance in our core UK roads businesses, underlying operating profit and margin declined compared to 2022. This reflects the impact of one-off operational costs taken in our US Roads business, as previously guided, together with non-recurring charges relating to certain UK businesses, including our loss making car park solutions business, which we exited at the end of 2023.

The Group continues to be highly cash generative, with cash conversion in the year of 115%. Year end net debt was 0.4 times EBITDA on a covenant basis. The strong balance sheet and consistent cash generation provides the Group with the opportunity to continue to invest in organic and inorganic growth opportunities.

Strategic update

Progress against our financial framework

In March 2023, we set out a recalibrated medium term financial framework with annual performance targets:

- organic revenue growth: 5% -7%
- total revenue growth including acquisitions: 10%+
- underlying operating profit margin (by end 2024): 15%
- return on invested capital: 18%+
- underlying cash conversion: 80%+
- covenant leverage: 1 to 2 times

In 2023, the Group delivered significant progress against all elements of this framework with strong revenue growth, operating margin expansion and high levels of cash conversion.

Portfolio Management

Growth through value enhancing acquisitions is a key element of the Group's strategy. We have made good progress in delivering on our M&A strategy and in building a strong pipeline of future opportunities.

In 2023, we invested c. £48m in three principal acquisitions, together with making a small bolt on acquisition to our US seismic protection solution business.

Two of these acquisitions accelerate our strategy in the exciting and fast growing US composites market. In February 2023, we acquired Enduro Composites, a designer and manufacturer of engineered composite solutions based in Houston, Texas for £28.7m. Trading since acquisition has been ahead of expectations. In November 2023, we acquired United Fiberglass, a specialist in composite pipe, conduit, and bridge drain infrastructure systems located in Springfield, Ohio, for £11.8m. The business has started 2024 with a record order book. Both acquisitions expand our existing customer base and product range, while also providing additional manufacturing capability and purchasing synergies.

In March 2023, we acquired Korns Galvanizing based in Johnstown, Pennsylvania for £9.4m, strengthening our US galvanizing market presence. The business has traded ahead of expectations following a well managed integration process and we are starting to see the benefits of both cross-selling to our existing customers and purchasing synergies.

Our M&A momentum continues into 2024 and we have made two highly complementary acquisitions in the year to date. In January 2024, we acquired Capital Steel Service for £5.0m. Located in Trenton, New Jersey, the business supplies structural steel products and services into the high growth electrical transmission and distribution market and will be integrated into our existing electricity substation business. In March 2024, we acquired FM Stainless, based in Ellijay, Georgia, for £6.6m. The business manufactures stainless steel pipe supports and fasteners, serving a range of growth end markets including water and wastewater treatment and is highly complementary to our existing engineered supports business.

The Board takes a disciplined approach to portfolio management with targeted divestments. In April 2023, we completed the disposal of the final part of our loss making Swedish roads business, and in October 2023 we divested the trade and certain assets of Berry Systems, a small, loss making car park solutions business. Both disposals will have a positive impact on our Roads & Security margins in 2024.

Sustainability

The growth of our business is naturally aligned to our sustainability agenda: our products and services make infrastructure more sustainable and increase transport safety.

Our Group sustainability strategy encompasses seven priority areas including our commitment to reduce greenhouse gas ('GHG') emissions. Our full scope 3 greenhouse gas emissions have now been successfully baselined and received limited assurance validation in June 2023. This enabled us to submit near and long term targets to the SBTi in July 2023 and we are pleased to report that these were approved in December 2023, with an overarching target to reach net-zero GHG emissions across the value chain by 2050. This sits alongside our commitment to reach net-zero for our scope 1 and 2 emissions by 2040. Our Head of Sustainability continues to work with our local teams to drive local energy saving initiatives and explore decarbonisation technology options to underpin our GHG reduction plan.

We also continue to make progress across our other sustainability priority areas. In health & safety our focus has been on accident prevention, and we have enhanced the Group health and safety organisational structure to bring regional support to our core geographies. While there is more work to do, these efforts have resulted in a 61% reduction in the Lost Time Incident Rate to 0.43 (2022:1.11).

Talent development and engagement are critical to the success of our autonomous operating model and are key focus areas for our sustainability strategy. Within this, senior level succession has been a particular focus, including the development of high potential individuals within our operating companies, and manager and supervisor training and development.

As an organisation we aim to employ the best people for the job, and we know that we can only do this by considering talented people from the whole community. Our most recent employee survey highlighted that we have made positive progress with diversity and inclusion. We have also made significant progress with our apprenticeship programme in the UK, and now have 60 apprentices, a 9% increase compared to 2022.

Board updates

In May 2023, Alan Giddins formally assumed the role of Executive Chair for an expected period of 12 to 18 months. In January 2024, the Group announced the appointment of Hooman Caman Javvi, as Chief Operating Officer, reporting to Alan Giddins. In this role Hooman has taken on a wider responsibility for the Group's operations, talent development and medium-term strategy.

Annette Kelleher stepped down from the Board as a Non-executive Director in May 2023 after a tenure of nine years, and we thank her for her significant contribution during this time. In January 2024, we were delighted to appoint Carol Chesney as a Non-executive Director. Carol will take over from Mark Reckitt as Chair of the Audit Committee following the AGM in May 2024.

Results from continuing operations

The Group has delivered a very strong set of results for 2023. Revenue was £829.8m (2022: £732.1m), an increase of 13% on a reported basis. OCC revenue growth was 5%. Constant currency revenue growth was 14%, reflecting a strong trading performance in National Signal and Enduro, our two larger recent US acquisitions. Underlying operating profit was £122.5m (2022: £97.1m), an increase of 26% on a reported basis. OCC operating profit growth was 12% and constant currency growth was 26%. Operating margins improved to 14.8% (2022: 13.3%). Underlying profit before taxation was £111.9m (2022: £87.9m). Reported operating profit was £103.8m (2022: £78.5m) and reported profit before tax was £93.2m (2022: £69.3m). Underlying earnings per share increased to 105.4p (2022: 85.4p) and reported earnings per share was 86.0p (2022: 66.7p).

The principal reconciling items between underlying and reported operating profit are non-cash charges including the amortisation of acquisition related intangibles of £8.4m and losses on disposal of non-core operations of £4.2m. Note 4 of the financial statements provides further details on the Group's non-underlying items.

Dividend

Given the strong trading performance and confidence in the Group's prospects, the Board is recommending a final dividend of 28.0p per share, making a total dividend for the year of 43.0p per share (2022: 35.0p). The final dividend, if approved, will be paid on 5 July 2024 to shareholders on the register on 31 May 2024.

Outlook

The Group is well-positioned in infrastructure markets with attractive medium and long term growth drivers and is weighted towards faster growing US end markets, which accounted for 76% of Group underlying operating profit in 2023. These factors, alongside the strong trading performance, the quality of our M&A pipeline and the benefits of our agile operating model, provide the Board with confidence that the Group will continue to make good progress in 2024, including a recovery in Roads & Security, and with a modest second half weighting, in line with historic trends.

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Tesla Substation, Texas

OPERATIONAL REVIEW

ENGINEERED SOLUTIONS

	£m 2023	£m 2022	Reported %	Constant currency %	OCC %
Revenue	367.0	289.9	+27	+27	+15
Underlying operating profit (1)	64.4	35.0	+84	+84	+69
Underlying operating margin % (1)	17.5%	12.1%			
Statutory operating profit	59.7	34.1			

1 Underlying measures are set out in note 4 to the Financial Statements and exclude certain non-underlying items, which are detailed in note 5 to the Financial Statements.

Our Engineered Solutions division provides steel and composite solutions for a wide range of infrastructure markets including energy generation and distribution, marine, rail and housing. The division also supplies engineered supports for the water, power and liquid natural gas markets, and seismic protection solutions for commercial construction.

The division delivered an impressive performance in 2023, with 27% revenue and 84% underlying operating profit growth on a constant currency basis. This reflects buoyant demand seen across our higher margin US businesses, with our composites and electrical transmission and distribution businesses delivering particularly strong growth. Underlying operating margins increased significantly to 17.5% (2022: 12.1%), due to the improved portfolio mix and volume growth.

US

The US businesses delivered 20% OCC revenue growth and record underlying operating profit.

Our composites group achieved another record trading year supported by continued growth in demand for its range of engineered composite solutions including utility poles, waterfront protection, cooling towers and mass transit infrastructure. The business delivered enhanced operating margins in 2023 due to excellent commercial execution, operational gearing and a favourable product mix.

The outlook for our US composites group is very positive with our focus end markets expected to benefit from unprecedented levels of government investment, ongoing power grid modernisation and onshoring. The business is also seeing increasing adoption of innovative composite solutions, supported by legacy material availability, lower lifecycle cost and improved sustainability considerations.

During the year, we made two acquisitions in composites in the US, strengthening our presence in this attractive niche market.

In February 2023 we acquired Enduro Composites for £28.7m. Located in Houston, Texas, Enduro is a designer and manufacturer of engineered composite solutions and has traded ahead of expectations since acquisition. During 2023 we invested in expanding Enduro's capacity to support future growth in demand. In November 2023 we acquired United Fiberglass, located in Springfield, Ohio, for a consideration of £11.8m. The business focuses on composite pipe, conduit, and bridge drain infrastructure systems and enters 2024 with a record order book. Both businesses are being integrated into our existing US composite group.

Our business supplying structural steel components into the electricity substation market achieved record revenue and operating profit in 2023. The business enters 2024 with a strong order book supported by high project demand to expand and upgrade ageing power infrastructure. Given the attractive market demand, we are making strategic capital investments to increase our existing capacity, and in January 2024 the business also acquired Capital Steel Service for a headline consideration of £5.0m. Based in Trenton, New Jersey, the company supplies structural steel products and services into the electrical transmission and distribution market across the US East Coast. The acquisition will expand our geographical customer base, generate significant cross selling opportunities and provide additional manufacturing capability.

Our two US engineered supports businesses also delivered record results underpinned by a number of large infrastructure build projects for electric vehicle, semiconductor and battery plants, wastewater treatment, power generation and a buoyant HVAC market. Both businesses enter 2024 with record order books. In December 2023 we acquired the business and selected assets of Conn-Fab Sales, Inc. for an initial consideration of £0.3m which expands our market reach and strengthens our position in the buoyant roof curb market. In March 2024 we acquired FM Stainless for an initial consideration of £6.6m. The business is highly complementary to our existing engineered supports business and will expand our geographical customer base and manufacturing capacity.

The growth prospects for all our US Engineered Solutions businesses continue to be very encouraging. We expect market demand to be supported by investment to modernise the ageing electric grid and solutions to protect against extreme weather. The outlook is further supported by multi-year planned government spending on infrastructure via the Infrastructure Investment and Jobs Act ('IIJA') and the CHIPS Act, and private investment from US manufacturers and producers to onshore vital components.

UK and India

Our UK businesses delivered a resilient performance with revenue 6% lower and underlying operating profit at a similar level to 2022. The building products business experienced lower volumes, reflecting a slowdown in UK residential new build and repair, maintenance and improvement sectors, however this was offset by higher selling prices which, together with a focus on cost management, resulted in operating profit ahead of prior year. The outlook for 2024 is likely to remain challenging and the business is focused on gaining market share and further operational efficiencies The industrial flooring business delivered a robust performance, with buoyant project pipeline demand from data centre, battery plant and oil & gas markets.

Our engineered supports business in India delivered a record result, underpinned by strong international LNG project demand and we have invested modestly in capacity expansion to support the growth strategy. The business enters 2024 with a strong order book and good medium term growth prospects.

Galvanized spiral staircase, V & S Galvanizing, US

GALVANIZING SERVICES

Continuing Operations (2)	£m 2023	2022	Reported %	Constant currency %	OCC %
Revenue	196.7	180.7	+9	+9	+5
Underlying operating profit (1)	45.7	44.0	+4	+4	-
Underlying operating margin % (1)	23.2%	24.3%			
Statutory operating profit	43.8	42.7			

1 Underlying measures are set out in note 3 to the Financial Statements and exclude certain non-underlying items, which are detailed in note 5 to the Financial Statements.

2 Continuing operations exclude France Galva, which was reported as a discontinued operation in the prior year.

The Galvanizing Services division offers hot-dip galvanizing and powder coating services with multi-plant facilities in the US and the UK. Hot-dip galvanizing is a proven steel corrosion protection solution which significantly extends the service life of steel structures and products. The division benefits from a wide sectoral spread of customers who operate in a range of end markets including road and bridge and other infrastructure, construction, and transportation.

The division delivered a robust performance in 2023, with 9% revenue and 4% underlying operating profit growth on a constant currency basis. The division continues to deliver superior margins with underlying operating margin at 23.2%, reflecting the value-add service provided to customers. The results are attributable to strong volume growth in the US, offset by a volume decline in the more challenging UK market.

US

With plants strategically located in the northeast and midwest of the country, the US galvanizing business delivered a good performance, with 9% OCC revenue growth and record underlying operating profit against a strong 2022 comparator. The growth is attributable to an 8% organic increase in production volumes with focused pricing action taken to offset higher labour and raw material costs. As a result, the business continued to deliver superior operating margins, with customers valuing the excellent service levels provided by our local teams.

In support of our US galvanizing growth strategy, we acquired Korns Galvanizing in March 2023 for a headline consideration of £9.4m. Located in Johnstown, Pennsylvania, Korns specialises in spin galvanizing and expands our production capacity in the key northeastern market, broadening the range of galvanizing services we can offer to our existing customer base. Korns is now fully integrated into our existing business and trading since acquisition has been ahead of expectations.

In the medium to longer term, the outlook for US galvanizing is positive. The business is well placed to benefit from high levels of industrial expansion activity in the US supported by the IIJA, investment in technology and a more general move to the onshoring of certain activities. We have started to see some IIJA related projects and expect to see incremental demand from bridge and highway and renewable energy projects in 2024.

UK

In UK galvanizing, revenue was broadly flat on an organic basis, with a 15% decline in production volumes offset by pricing actions taken to cover higher energy and labour costs. The volume decline reflects an overall downturn in the UK galvanizing market and the impact of certain key customers delaying projects, with volumes stabilising in the second half of the year. As a result, underlying operating profit and underlying operating margin were lower than last year's record performance. Widnes Galvanising, acquired in September 2022, has been successfully integrated and delivered results ahead of expectations in 2023.

Our market leading UK galvanizing business benefits from serving a diversified customer base. While we expect end markets to continue to be challenging in 2024, the business is focusing on building volume in niche growth sectors such as cable management which, coupled with an expected improved demand from certain key accounts, is anticipated to support a resilient trading performance. We have also taken proactive steps to strengthen the senior management team to deliver our expectations for the business.


Zoneguard on M42, UK

ROADS & SECURITY

Continuing Operations (2)	£m 2023	£m 2022	Reported %	Constant currency %	OCC %
Revenue	266.1	261.5	+2	+2	-5
Underlying operating profit (1)	12.4	18.1	-31	-31	-71
Underlying operating margin % (1)	4.7%	6.9%			
Statutory operating profit	0.3	1.7			

1 Underlying measures are set out in note 3 to the Financial Statements and exclude certain non-underlying items, which are detailed in note 5 to the Financial Statements.

2 Continuing operations exclude the French lighting column business, which was reported as a discontinued operation in the prior year.

The Roads & Security division supplies products and services to support the delivery of safe road and highway infrastructure, alongside a range of security products to protect people, buildings and infrastructure from attack. In addition, the division includes two businesses which are market leaders in the provision of off-grid solar lighting and power solutions.

The division delivered a disappointing performance with 2% revenue growth and a 31% underlying operating profit decline on a constant currency basis. The results reflect strong trading in National Signal, our US off-grid solar lighting business, and resilient trading in our core UK roads businesses, however this was offset by certain non-recurring charges in the UK and one-off operational improvement costs in our US roads business. As a result, underlying operating margin was 4.7% and we expect gradual improvement in 2024.

UK

Revenue was 3% lower and underlying operating profit was significantly lower than 2022 on an organic basis. Our barrier rental business delivered good profit growth, with an increased level of average fleet utilisation and a focus on cost control. Our wider UK roads portfolio experienced challenges, with inflationary and budgetary pressures across central government and local authority customers. While end markets continue to be challenging, with a possible slow down of project activity in anticipation of the Road Investment Strategy 3 period (2025-2030), our expectation is that the core UK roads business will deliver a resilient performance in 2024.

Our UK off-grid solar business experienced a slowdown in construction end markets during the year and is turning its focus to the more resilient facilities management sector. At the end of the year the business identified an issue with the historical installation of certain products and is taking appropriate remedial action. While some of these installations occurred prior to our acquisition of the business, we have absorbed the rectification costs into the Group's underlying results.

During the year we also took action to improve the quality of our UK roads portfolio and divested the trade and certain assets of Berry Systems, a small, loss making car park solutions business. An underlying charge has been taken in relation to future losses expected on a small number of legacy contracts where we retain economic liability.

US

Our US Roads portfolio comprises two businesses: National Signal, our off-grid solar lighting solutions business acquired in October 2022, and our roadside safety products business.

Trading in National Signal was very strong, particularly in the first three quarters of 2023, supported by a high order backlog and buoyant demand from rental companies. While we have seen a slight softening in demand coming into the first half of 2024, the medium term outlook for the business remains very positive, underpinned by a drive toward sustainable solutions and an expected boom in large scale infrastructure projects. The business is expecting to move into a larger leased facility during H1 2024, in line with its medium term growth strategy.

Revenue in the road traffic safety product business was lower than 2022 and underlying operating profit was significantly impacted by one-off operational improvement costs, mainly associated with re-engineering the trailer product line. The business is implementing a comprehensive business improvement plan and we expect the business to make progress in 2024. The medium term outlook for the business remains positive, with demand supported by the introduction of new safety standards and increased levels of state and federal investment to upgrade US road infrastructure.

Other International Roads

In April 2023 we completed the disposal of the final part of our loss making Swedish roads business. Our Australian roads business performed in line with expectations.

UK Security

Our UK security businesses provide a range of perimeter security solutions including hostile vehicle mitigation to both UK and international markets. Revenue declined by 6% and underlying operating profit was also below last year. This reflects lower levels of utilisation in our UK security barrier rental business compared to a record 2022 and continuing challenges in our perimeter access security business. In the second half of the year, we were pleased to renew the contract for the UK security barrier with the UK Government. The outlook for our security portfolio remains mixed, however we expect that our quality product offering and a focus on more resilient end markets such as data centres will support further progress.

Hostile Vehicle Mitigation bollards. Anne Frank Museum, Amsterdam. ATG Access, UK

FINANCIAL REVIEW

Capital allocation

The Group follows a disciplined approach to capital allocation. As a priority, we allocate capital to support organic growth, with a focus on higher return, structurally growing infrastructure markets. We require our operating companies to manage working capital efficiently, considering their respective growth rates, and we invest in capital projects and innovation to support future organic growth, with around £15m of 2023 capex allocated to growth investments.

Secondly, we allocate capital to make high quality acquisitions, with a focus on businesses which have a clear alignment with our purpose and have good long-term growth potential. We follow a structured approach to acquisitions based on a clear set of financial criteria and expect acquisitions to achieve returns above our Group cost of capital within a three-year timeframe. Based on our highly cash generative model, we are targeting to reinvest around £50m - £70m each year on value enhancing acquisitions. In 2023 we invested £48.4m across four acquisitions. Our acquisition pipeline is strong, and is focused on high quality, strategically aligned opportunities.

We also aim to provide sustainable and progressive dividend growth, with a target dividend cover of 2.5 times underlying earnings. We understand the importance of providing consistent and growing returns to our shareholders as part of our overall capital allocation framework, and the Group's strong levels of cash generation allow us to invest in organic and inorganic growth while paying a progressive dividend.

We use return on invested capital (ROIC) to measure our overall capital efficiency, with a target of achieving returns in excess of 18%, above the Group's cost of capital, through the cycle. We are pleased to report that the Group's ROIC in 2023 increased to 22.0% (2022: 19.2%), the improvement reflecting the strong trading and our disciplined approach to capital allocation which more than offset the impact of acquisitions in the year.

Cash generation

The Group was highly cash generative in 2023 with underlying cash conversion of 115%. We expect the Group to continue to deliver strong cash conversion in 2024, in line with our financial framework and consistent with historical levels. The calculation of our underlying cash conversion ratio can be found in note 3 to the financial statements.

Operating cash flow before movement in working capital was £151.4m (2022: £129.8m). The working capital inflow in the year was £22.8m (2022: £42.6m outflow), the inflow attributable to a tight focus on working capital efficiency and the benefits of lower raw material costs. Working capital as a percentage of annualised sales was 15.9%. Debtor days were in line with expectations at 58 days (2022: 60 days).

Capital expenditure of £31.8m (2022: £31.5m) represents a multiple of depreciation and amortisation of 1.5 times (2022: 1.5 times). Growth investments in the year included £4m to support capacity expansion in our US composite business and £1.5m on an automated kettle line for the recently acquired Korns Galvanizing in the US.

Net financing costs for the year were £10.6m (2022: £9.2m). The net cost of pension fund financing under IAS 19 was £0.3m (2022: £0.1m), and the amortisation of costs relating to refinancing activities was £0.6m (2022: £2.4m).

The Group generated £104.8m of free cash flow in the year (2022: £30.4m), providing funds to support our acquisition strategy and dividend policy.

Net debt and financing

Net debt at the end of the year amounted to £108.4m (31 December 2022: £119.7m). Outflows in the year included £28.0m for the 2022 interim and final dividends and £50.7m on 2023 acquisitions (including £2.3m of acquired lease liabilities). Net debt at the year end includes lease liabilities under IFRS 16 of £43.7m (2022: £39.3m).

The Group's principal financing facilities comprise a £250m revolving credit facility, which expires in November 2027 following the one year extension agreed during the year, and $70m senior unsecured notes with maturities in June 2026 and June 2029, together with a further £6.6m of on-demand local overdraft arrangements. Throughout the year the Group has operated well within these facilities and at 31 December 2023, the Group had £247.2m of headroom (£240.6m committed, £6.6m on demand). Approximately 55% of the Group's drawn debt at 31 December 2023 is subject to fixed interest rates, providing a hedge against recent market movements.

"The Group generated £104.8m of free cash flow in the year (2022: £30.4m), providing funds to support our acquisition strategy and dividend policy."

Hannah Nichols
Chief Financial Officer

The principal borrowing facilities are subject to covenants that are measured biannually in June and December, being net debt to EBITDA of a maximum of 3.0 times and interest cover of a minimum of 4.0 times. The ratio of covenant net debt to EBITDA at 31 December 2023 was 0.4 times (31 December 2022: 0.7 times) and interest cover was 17.3 times (31 December 2022: 21.6 times). The Board considers that the ratio of covenant net debt to EBITDA is a key metric from a capital management perspective and targets a ratio of 1.0 to 2.0 times.

Tax

The underlying effective tax rate for the period for continuing operations was 24.6% (2022: 22.4%), the increase reflecting the rise in the UK rate to 25% from April 2023 and the increasing proportion of profits generated in our US operations. The reported tax charge for the year was £24.4m (2022: £16.0m) and includes a £3.2m credit (2022: £3.7m) in respect of non-underlying items, principally relating to the amortisation of acquisition intangibles. Cash tax paid in the period was £31.7m (2022: £15.5m), the increase reflecting higher profitability, the phasing of payments in the US, and our decision to carry forward taxable UK losses to be used in future periods.

Exchange rates

The Group is exposed to movements in exchange rates when translating the results of its overseas operations into Sterling. Retranslating 2022 revenue and underlying operating profit from continuing operations using average exchange rates for 2023 would have reduced revenue by £1.1m with no impact on underlying operating profit. A one cent movement in the average US Dollar rate currently results in an adjustment of approximately £4.0m to the Group's annual revenues and £1.0m to annual underlying operating profit.

Non-underlying items

The total non-underlying items charged to operating profit from continuing operations in the Consolidated Income Statement amounted to £18.7m (2022: £18.6m). The items were mainly non-cash related and included the following:

- Amortisation of acquired intangible assets of £8.4m
- Loss on disposal of businesses of £4.2m relating to the disposals of the Swedish roads and UK car park solutions operations
- Expenses related to acquisitions and disposals of £5.3m, including £1.8m accrued deferred consideration relating to the National Signal acquisition
- Net business restructuring costs of £0.2m relating to actions taken in prior years

The non-cash element of these charges was £12.5m. Further details are set out in note 5 of the Financial Statements.

Pensions

The Group operates defined benefit pension plans in the UK and the USA. The IAS 19 deficit of these plans at 31 December 2023 was £4.1m, a reduction of £3.1m from 31 December 2022 (£7.2m). The deficit of the UK scheme the largest employee benefit obligation in the Group, was lower than the prior year end at £3.4m (31 December 2022: £6.5m) due to the Group's deficit recovery payments.

The Group continues to be actively engaged in dialogue with the UK scheme's Trustees with regards to management, funding and investment strategies including buy-in options.

Going concern

After making enquiries, the Directors have reasonable expectations that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and for the period to 30 June 2025. Accordingly, they continue to adopt the going concern principle.

When making this assessment, the Group considers whether it will be able to maintain adequate liquidity headroom above the level of its borrowing facilities and to operate within the financial covenants on those facilities. The Group has carefully modelled its cash flow outlook for the period to June 2025, considering the ongoing uncertainties in global economic conditions. In this "base case" scenario, the forecasts indicate significant liquidity headroom will be maintained above the Group's borrowing facilities and financial covenants will be met throughout the period, including the covenant tests at 30 June 2024, 31 December 2024 and 30 June 2025.

The Group has also carried out "reverse stress tests" to assess the performance levels at which either liquidity headroom would fall below zero or covenants would be breached in the period to 30 June 2025. The Directors do not consider the resulting performance levels to be plausible given the Group's strong trading performance in the year and the resilience of the end markets in which we operate.

Alan Giddins
Executive Chair

Hannah Nichols
Group Chief Financial Officer
11 March 2024

STAKEHOLDER ENGAGEMENT

OUR SEVEN KEY STAKEHOLDER GROUPS

OUR PEOPLE

As an employer committed to providing the right environment in which to work, we insist that people connected with the Group can work safely, are trained correctly, behave in the right way, and comply with all local legal and regulatory requirements, thus ensuring the sustainability of the business.

What matters

- Brand
- Safe working environment
- Remuneration
- Sustainability
- Wellbeing
- Job security
- Career development

What we did in 2023

- Carried out our fourth all-employee engagement survey, which included a Safety Culture survey to gain more feedback on this topic
- Developed the workforce forums to maintain dialogue between executive directors and operating company employees
- Established a steering group to identify short and long term objectives for a Global Women's Network
- Restructured the management of health and safety, moving away from having a Group Health & Safety head to having two geographic heads, covering UK (including India and Australia) and the US, with these individuals reporting directly into our Group Presidents

OUR COMPANIES

Our decentralised autonomous model places our operating companies close to their end markets and under the management of their own board of directors, providing agility, customer intimacy and entrepreneurial activities. Our companies are able to respond rapidly to opportunities and to changes in their competitive environment and are responsible for the delivery of our organic growth targets and the success of our Group strategy.

What matters

- Operational and financial performance
- Cash allocation
- Product Innovation
- Talent and development
- A strong health & safety culture

What we did in 2023

- The Group's record results are testament to the benefits of our autonomous operating model. Performance is continually monitored by the Board and underperformance is addressed in a timely and appropriate basis
- Invested £15m in capital projects to support growth
- We acquired two US-based composites businesses, Enduro and United Fiberglass. Both manufacture products and innovative solutions that deliver long term value for challenging applications in building construction, cable management, infrastructure, and process operations
- We acquired a US-based galvanizing business, Korns Galvanizing, in Johnstown PA
- Continued our innovation workshops

OUR CUSTOMERS

Our operating companies work closely with their customers to understand their needs and provide innovative solutions. Most businesses are accredited with a number of ISO quality standards to provide comfort to our customers that we are able to deliver solutions which meet their exacting requirements.

What matters

- Quality products delivered on time and to the correct specification
- Product innovation
- Sustainability
- A strong health & safety culture
- Being treated with respect
- Working as a partnership

What we did in 2023

- Continued to invest in product development
- Continued to focus our Sustainability efforts on minimising the greenhouse gas emissions from the energy we and our supply chain use
- Acquired businesses central to our purpose of providing sustainable infrastructure products and services

OUR SUPPLIERS

We actively engage with our suppliers, working closely to ensure that they provide the right quality of raw materials and services to support our commitment to quality products and to maintaining fair cashflow requirements.

What matters

- Mutual beneficial arrangements
- Fair financial terms
- Long-term relationships
- Quality
- Sustainability

What we did in 2023

- Operating companies regularly met with existing and potential suppliers to discuss continuity and quality of supply
- Group payment terms improved to 50 days (2022:61)

STAKEHOLDER ENGAGEMENT continued

LOCAL COMMUNITIES

Subsidiaries engage with their local communities on a business-by-business basis supporting local charities as well as engaging with local authorities when seeking to develop their businesses.

What matters

- Environmental issues
- Employment
- Health & Safety

What we did in 2023

- Supported our operating companies to develop local Sustainability initiatives
- Developed our charity matching programme, supported by Group
- Encouraged our operating companies to engage with their local communities, supporting local charities on a business-by-business basis
- Engaged with an agricultural project set up to support children with special needs

INVESTORS

Our Executive Chair & CFO engage with our investors through a series of meetings, site visits and presentations, ensuring that they set out our strategy for delivering long-term sustainable profit growth. Investors also feed back their views on the major corporate governance issues of the day.

What matters

- Solid dividend performance and long-term share price growth; and long-term sustainable profit growth
- Operational efficiency
- Sustainability
- Robust corporate governance and business ethics

What we did in 2023

- Maintained our focus on sustainability
- Maintained a CDP B score
- The Executive Chair and CFO met regularly with investors and analysts
- Introduced investors to the market dynamics and products of our composites business
- Increased our full year dividend by 23%

THE ENVIRONMENT

We play a key role in protecting the world through both the provision of our sustainable infrastructure products and services and through how we minimise our environmental impact as we deliver those products and services.

What matters

- Sustainable products
- Greenhouse gas emissions
- Biodiversity
- Environmentally friendly solutions

What we did in 2023

- Established our 2022 baseline scope 3 greenhouse gas emissions across all relevant categories
- Submitted our science-based targets for approval by SBTi. Approval granted in December 2023
- Introduced BRE LINA, giving operating companies the opportunity to obtain Environmental Product Declarations ('EPD') for their products
- Developed local Carbon Reduction Plans for all operating companies, identifying site specific opportunities to reduce emissions
- Established an annual Sustainability Week across the Group, encouraging all sites to get involved with awareness-raising events and activities
- Established a cross-industry scope 3 Support Group to support others going through their scope 3 emissions reporting and reduction journey

Galvanized giraffes, V&S Galvanizing, US

OUR APPROACH TO SUSTAINABILITY

2023 has been an exciting year in Hill & Smith's sustainability journey. We baselined our full scope 3 greenhouse gas emissions during 2022 and this data was verified by Bureau Veritas in June 2023, with limited assurance validation provided under the ISAE 3000 standard.

Having applied to be a signatory of the Science Based Targets initiative ('SBTi') 'Business Ambition to 1.5°C' in August 2021, we submitted our proposed near and long-term targets to the SBTi in July 2023 for approval. We are pleased to report that these were approved in December.

Our plans to reduce our scope 1 and 2 emissions to net-zero by 2040 are on track as demonstrated by our costed plan on page 40.

Our risk rating scores have improved over the last two years, with our CDP assessment score improving from a 'D' in 2021 to a 'B' in 2023.

As sustainability reporting and disclosure requirements are increasing, we intend to conduct another materiality assessment in 2024 to ensure that our priority areas are still aligned with these developments and will incorporate any new topics, such as biodiversity, into our 2024 reporting.

"2023 has been an exciting year in Hill & Smith's sustainability journey."

Lucinda Farrington-Parker
Group Head Of Sustainability

Sustainability is a structural growth driver for our business - our products and services make infrastructure more sustainable and increase transport safety.

We have identified seven key priorities for our sustainability plans, across three key focus areas:

PROTECTING THE WORLD

Priorities

- Greenhouse gas emissions and energy efficiency
- Sustainable products

Read more on pages 38 to 42

SAVING AND ENHANCING LIVES

Priorities

- Health and safety
- Talent, development and engagement
- Diversity and inclusion

Read more on pages 43 to 47

SUSTAINABLE GOVERNANCE

Priorities

- Climate risks and TCFD
- Ethical conduct

Read more on pages 48 to 52

Our sustainability priorities were identified following a comprehensive materiality assessment carried out in 2021. We have maintained the same priorities for 2022 and 2023, however we will continue to review and adapt as our sustainability strategy evolves, and plan to conduct another materiality assessment in 2024.

Our Executive Chair, Alan Giddins, has Board responsibility for sustainability and is also a member of the Sustainability Committee. The Sustainability Committee, led by our Group Head of Sustainability, Lucinda Farrington-Parker, works with our operating companies to create actionable plans with measurable near and medium-term targets. We are delighted to report that Lucinda was accepted as a Fellow member of the Institute of Environmental Management and Assessment ('IEMA') in 2023, the highest level of professional membership available in IEMA and demonstrating significant professional contribution, experience and expertise.

The Sustainability Committee also includes the Group CFO, our Group Presidents and a number of other Group employees who are driving our sustainability strategy forward. The Committee reports to the Board on a six-monthly basis, providing updates on progress made against targets.

Composite bridge, designed and fabricated in fiber reinforced polymer, Creative Composites Group, US

PROTECTING THE WORLD

GREENHOUSE GAS EMISSIONS AND ENERGY EFFICIENCY

Alignment with UN SDGs

Why does it matter?

We recognise that greenhouse gases are a major contributor to the climate crisis and are committed to managing and reducing the Group's emissions to support the Paris Agreement goals.

What have we done?

Science Based Targets

Hill & Smith's near-term, long-term and overarching net-zero emission reduction targets were approved by the SBTi in December 2023, using a financial year running from 1 January to 31 December. Our approved science-based targets are as follows:

Overall Net-Zero Target

Hill & Smith PLC commits to reach net-zero greenhouse gas emissions across the value chain by 2050.

Near-Term Targets

By 2032, Hill & Smith PLC commits to reduce absolute scope 1 and 2 greenhouse gas emissions by 55% from a 2020 base year. Hill & Smith PLC also commits to reduce scope 3 greenhouse gas emissions by 60% per GBP value added by 2032 from a 2022 base year.

Long-Term Targets

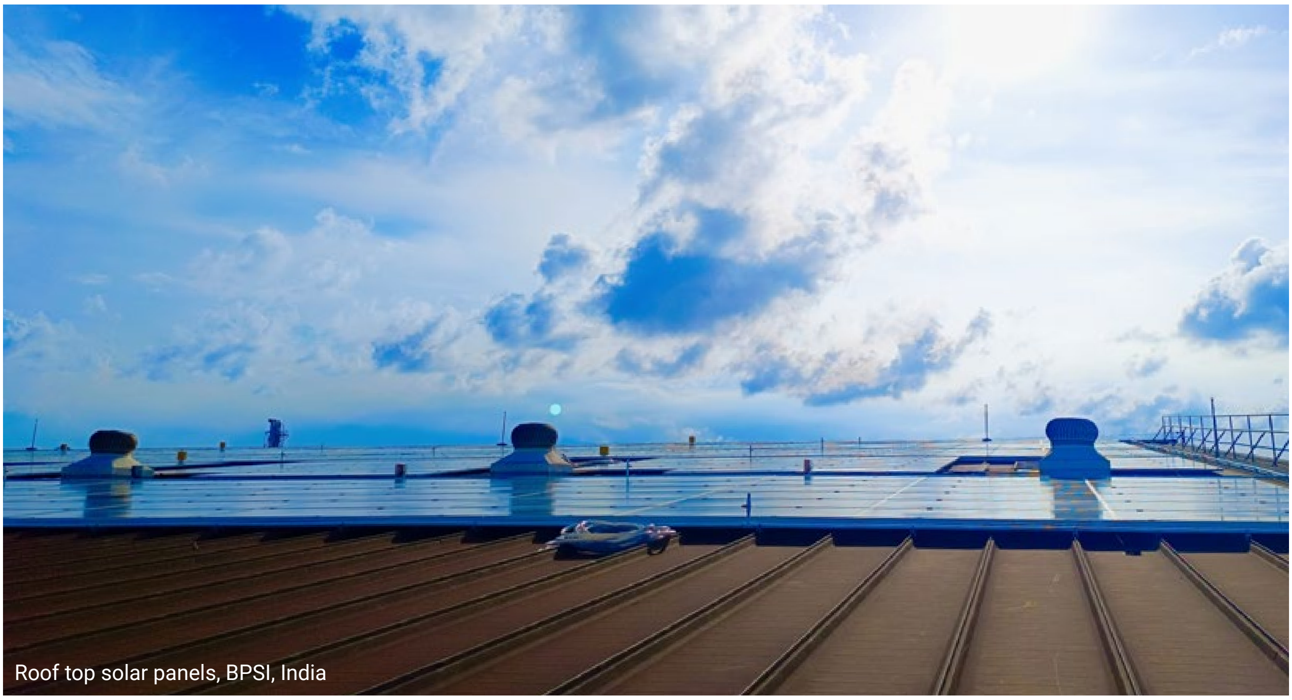
Hill & Smith PLC commits to reduce absolute scope 1 and 2 greenhouse gas emissions by 90% by 2040 from a 2020 base year and maintain 90% absolute reduction through 2050 from 2040. Hill & Smith PLC also commits to reduce scope 3 greenhouse gas emissions by 97% per GBP value added by 2050 from a 2022 base year.

For scope 1 and 2, a market-based and absolute contraction approach was chosen. For scope 3, an economic intensity approach was selected due to the changing nature of our portfolio through organic developments and value enhancing acquisitions.

In addition to our approved science-based targets, we also have an internal target to achieve net-zero for scope 1 and 2 by 2040 and we are measuring our near-term progress through reduction in our carbon intensity ratio (defined as tCO_2e per £million revenue). We are pleased to report that we have seen an improvement in our carbon intensity ratio in 2023 with details set out below.

Target	2023 Actual	2022 Actual	2025 Target	2030 Target
Intensity Ratio (market-based) (tCO_2e per £000's revenue)	0.06	0.07	**0.08**	**0.06**

Note: In accordance with our Greenhouse gas emissions Recalculation Policy (available at https://hsgroup.com/who-we-are/governance/our-policies/) and the GHG Protocol, our 2020-2022 scope 1, 2 and 3 data has been revised to remove the emissions relating to any operating companies that have been divested and to include estimates for the emissions from companies that we have acquired during those years. This may result in stated emissions for previous years differing from those reported previously, but allows a meaningful comparison of current emissions with base year and historic year emissions.



Roof top solar panels, BPSI, India

Progress against science-based targets

Our progress against our science-based targets is set out below. Excluding acquisitions our scope 1 and 2 emissions for 2023 have remained at similar levels to 2022 and the intensity ratio, which includes acquisitions made in the year, has reduced. For further information on how we plan to achieve our targets, see our costed plan on page on 40. 100% of our scope 1, 2 and 3 emissions are included in our science-based targets.

Reporting item	2023	2022	Base year value (2020)	2023 % change (from 2020)
Scope 1 (tCO_2e)	36,664	33,276	37,931	-3%
Scope 2 (market-based) (tCO_2e)	10,000	8,742	12,908	-23%
Total scope 1+2 (market-based) (tCO_2e)	46,664	42,018	50,839	-8%

Reporting item	2023	Base year value (2022)	2023 % change (from 2022)
Scope 3, category 1: Purchased goods & services (tCO_2e)	310,617	614,224	-49%
Scope 3, category 2: Capital goods (tCO_2e)	5,746	12,320	-53%
Scope 3, category 3: Fuel- and energy-related activities (tCO_2e)	8,617	7,881	+9%
Scope 3, category 4: Upstream transportation (tCO_2e)	28,869	36,615	-21%
Scope 3, category 5: Waste (tCO_2e)	2,184	3,320	-34%
Scope 3, category 6: Business travel (tCO_2e)	2,253	2,252	0%
Scope 3, category 7: Employee commuting (tCO_2e)	4,245	4,541	-7%
Scope 3, category 9: Downstream transportation (tCO_2e)	7,235	7,087	+2%
Scope 3, category 10: Processing of sold products (tCO_2e)	10,932	13,528	-19%
Scope 3, category 11: Use of sold products (tCO_2e)	446,837	560,063	-20%
Scope 3, category 12: End-of-life treatment (tCO_2e)	2,736	2,516	+9%
Scope 3, category 13: Downstream leased assets (tCO_2e)	461	163	+183%
Total scope 3 (all categories) (tCO_2e)	830,732	1,264,512	-34%
Overall scope 3 emissions intensity (tCO_2e/£ value added)	5,490	10,947	-50%

Note: 2023 data includes partial year data for Korns Galvanizing and Enduro Composites, which were acquired during 2023 and so are not yet included in previous years' recalculated figures.

Scope 3 categories 8 (upstream leased assets), 14 (franchises) and 15 (investments) have been assessed and deemed not to be relevant to the Group's activities.

In accordance with our Greenhouse Gas Emissions Recalculation Policy (available at https://hsgroup.com/who-we-are/governance/our-policies/) and the GHG Protocol, our 2020-2022 scope 1, 2 and 3 data has been revised to remove the emissions relating to any operating companies that have been divested and to include estimates for the emissions from companies that we have acquired during those years. This may result in stated emissions for previous years differing from those reported previously, but allows a meaningful comparison of current emissions with base year and historic year emissions. All re-stated emissions for historic years are available in our Basis of Reporting document on our website.

The DEFRA spend-based emission factors were updated between the 2022 baseline and the 2023 calculations, resulting in several significantly lower emission factors being applied to 2023 inputs.

Base year recalculation policy and threshold

We have recalculated and restated our base year and historic year emissions across all scopes to reflect the effects of acquisitions and divestments. Details of these changes can be found in our 'Basis of Reporting 2023' document. Our Greenhouse Gas Emissions Recalculation Policy defines a significant change as a cumulative change of 5% or larger in our total base year emissions. We have assessed the implications of these restatements on our science-based targets and have not identified a need to update the targets. Refer to the Governance section of the Group website for further information.

Actions towards meeting greenhouse gas emission reduction targets

A range of emissions reduction and energy efficiency initiatives have been undertaken by our operating companies during 2023, including the continued installation of solar panels, purchase of more energy efficient welding sets, installation of energy monitoring systems to track individual equipment consumption, and switching forklift trucks to electric. Two of our UK sites have now made the switch to Hydrotreated Vegetable Oil ('HVO') in place of diesel and more are investigating this opportunity.

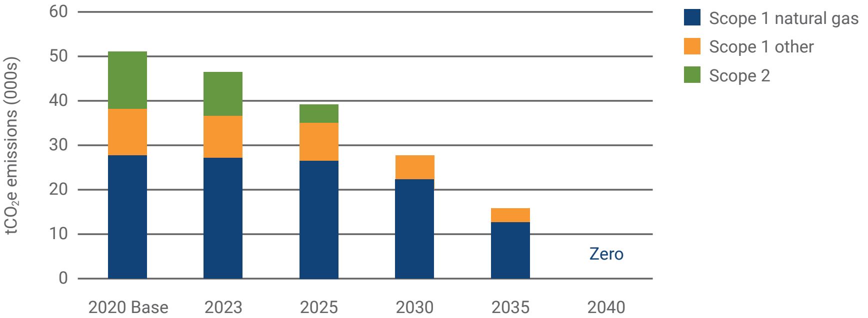
Consumption of natural gas for use in heating in the galvanizing process contributes 88% of the Group's total natural gas consumption and therefore the use of energy in the galvanizing process is a key focus area for the Group's emissions reduction plan. In 2023, we continued to implement energy efficiency measures in both our UK and US galvanizing operations including heat recovery systems, kettle covers and variable frequency drives, which will contribute to our emissions reduction plan. We also continued to investigate the viability of hydrogen as an alternative fuel, maintaining our involvement in the Cadent and National Gas Transmission Hydrogen Valley project.

97% of our UK electricity requirements were sourced through renewable energy certificates in 2023 and we are currently working with our US businesses on plans to move towards renewable electricity supply within the next two years (where available).

Work has also started on identifying opportunities to influence our scope 3 emissions, including contacting suppliers to obtain more product-specific information (such as recycled content and production methods for steel), using weight-based rather than spend-based data and emission factors to improve data quality, and investigating opportunities for lower embodied carbon concrete.

Costed plan

Net-zero scope 1 and 2 emissions by 2040



2020-2025

Implementation of galvanizing energy efficiency measures

Trial alternative galvanizing burner technologies

Replace forklift fuel with renewables

UK to renewable electricity

US start to move to renewable electricity

2026-2030

Ongoing galvanizing energy efficiency measures

Galvanizing plants to alternative burner technology

Remaining forklift fuel replaced with renewables

US and RoW moved to renewable electricity

2031-2035

Galvanizing plants to alternative burner technology

2036-2040

Remaining galvanizing plants to alternative burner technology

Replace diesel in commercial vehicles with renewables

We have continued to refine our costed plan which includes an assessment of the incremental capital, energy, carbon taxes and other operating costs to support our carbon reduction plan. The result of this has provided us with the confidence to continue our commitment to achieving our internal net-zero target for scope 1 and 2 by 2040. Our current expectations are that the financial impact of achieving this will not have a material impact on the growth prospects for the Group, with modest levels of incremental capital investment required. The planned investment is outlined above in our costed plan.

Verification and assurance of greenhouse gas emissions

We engaged Bureau Veritas to conduct a verification review of our corporate greenhouse gas emissions inventory for the period 1 January to 31 December 2023. The review was performed to a limited level of assurance in accordance with the requirements of the International Standard on Assurance Engagements ('ISAE') 3000.

The remit of the review included scope 1, scope 2, and scope 3 categories 1 (purchased goods and services), 2 (capital goods), 3 (fuel and energy related activities), 4 (upstream transportation), 5 (waste generated in operations), 6 (business travel), 7 (employee commuting), 9 (downstream transportation), 10 (processing of sold products), 11 (use of sold products), 12 (end-of-life treatment) and 13 (downstream leased assets).

Bureau Veritas has found no evidence that the above reported data is not materially correct, with a limited level of assurance. The results of the assessment can be found on our website, www.hsgroup.com.

Further information on our annual greenhouse gas inventory, scope 1, 2 and 3 reporting methodologies and data sources, exclusions, assumptions and estimations, plus the historic emission recalculations carried out this year, is available in our 'Basis of Reporting 2023' document, which can be found on our website, www.hsgroup.com.

What will we achieve?

In 2024 we will focus on further developing local emissions reduction plans for each of our operating companies, to include scope 1, 2 and 3. We will look to partner with external organisations where appropriate to assist with feasibility studies and the installation of energy efficiency technology appropriate to each site.

We intend to further develop these plans into a high level Climate Transition Plan for the Group in line with the Transition Plan Taskforce Disclosure Framework published in 2023.

How will we measure progress?

We have invested in a sustainability software solution to record our greenhouse gas emissions. This provides greater visibility of our emissions and allows us to measure performance against our targets at both a Group and individual operating company level.

CASE STUDY

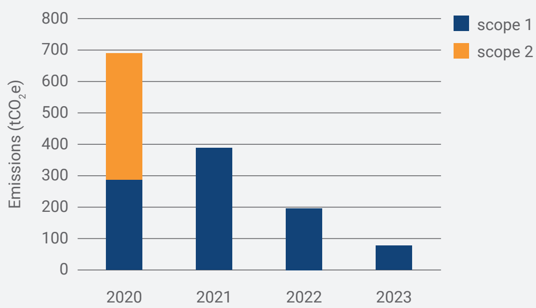
LIONWELD KENNEDY

Since 2020, Lionweld Kennedy has seen a significant year-on-year reduction in its scope 1 and 2 greenhouse gas emissions. Initiatives that the company has undertaken include:

- Signing up to a 100% renewable electricity tariff (backed by Renewable Guarantee of Origin ('REGO') certificates)
- Transition of the entire fleet of forklift trucks from diesel to electric
- Transition from diesel to sustainably-sourced HVO fuel to heat the factory
- Implementation of a remote energy monitoring system to allow energy consumption to be reviewed at a more granular, equipment-specific level
- Installation of solar panels onto the factory roof

In addition, the business has been looking at the sustainability and embodied carbon of its products. Design changes to their Safegrid steel flooring panels have resulted in an estimated reduction of c. 185 tonnes of steel used in production, with an associated 6% reduction in electricity consumption. Rationalisation of the product range offered has also seen a c. 20% reduction in electricity due to lower processing requirements.

Lionweld Kennedy greenhouse gas emissions



PROTECTING THE WORLD continued

SUSTAINABLE PRODUCTS

Alignment with UN SDGs

Why does it matter?

Delivering solutions that improve the sustainability of our customers' operations is central to our company purpose and strategy. We believe that our products and services can play an important role in addressing the challenges associated with increasing population and urbanisation, climate change and decarbonisation.

What have we done?

In 2022, we assessed the value to society of c. 55% of the Group's products and services by revenue, using a Six Capitals framework and supported by a third party, Route 2. This demonstrated a positive impact on society from the products assessed (c. £2 of value to society for every £1 of revenue generated). In 2023, we have considered other options and frameworks to assess the sustainability of our products and we are in the process of determining suitable metrics to use going forward.

During 2023, a number of our operating companies started to undertake Life Cycle Assessments ('LCA') for individual products, with several of these being verified by a third party and published as Environmental Product Declarations ('EPD'). We expect this to be an increasing focus area for our customers going forward.

Waste management and water consumption

Waste generation varies significantly between operating companies. Some produce very little waste; some generate high proportions of recyclable waste streams (such as steel). The galvanizing sites generate the most significant quantities of hazardous waste streams such as waste acid and degreaser.

Water use by our operating companies is typically for offices (toilets, hand washing and cleaning) and for process activities (such as pre-treatment tanks in our galvanizing facilities). We monitor the consumption of water across the Group and encourage sites to reduce consumption where possible.

We have also worked to improve the accuracy of our waste and water reporting over the past two years, with its inclusion in our online software solution for greenhouse gas emissions reporting. In 2023, for the first time, we undertook internal audits across the Group to assess the accuracy of data reporting, including waste and water. As a result, some of the waste figures for 2022 were amended and have increased compared to previously reported figures.

Our water consumption and waste data for the past five years is set out below:

Measure	2023	2022	2021	2020	2019
Water consumption (m^3)	92,963	84,667	104,795	95,093	91,152
Water intensity (m^3 / £000 revenue)	0.11	0.12	0.17	0.16	0.15
Waste generated (tonnes)*	27,154	25,899	17,355	24,310	27,192
– Hazardous	9,792	9,471	n/a	n/a	n/a
– Non-hazardous	17,362	16,428	n/a	n/a	n/a
Waste intensity (tonnes / £000 revenue)	0.033	0.035	0.028	0.041	0.044
Waste recycled (%)	82	78	79	79	83

* The split between hazardous and non-hazardous waste is not available prior to 2022. The 2022 waste tonnage differs to that reported previously due to improvements made to the recording process.

What will we achieve?

We will continue to undertake LCAs on key products, with the publication of EPDs as they are verified.

Innovation is key to developing our products so that we continue to address our customers' needs and provide them with sustainable solutions. In 2024, our Group Head of Sustainability will join our Innovation Forum, helping to strengthen the links between research & development ('R&D') and sustainability.

During 2024 we will work to develop a framework for the classification of our products and R&D activities as 'sustainable', to enable us to report on the proportions of our revenue and R&D spend related to products that have an environmental, economic or social benefit.

How will we measure progress?

From 2024, we will report on the total number of products that have a verified EPD and aim to increase this number on an annual basis. We will continue to disclose work done to assess the sustainability of our products and the development of a framework to enable us to do so in line with published standards and guidance.

SAVING AND ENHANCING LIVES

HEALTH AND SAFETY

Alignment with UN SDGs

Why does it matter?

Keeping our employees, customers, and suppliers safe is our number one priority. Ensuring that our employees work in a safe environment and can return home to their loved ones at the end of their working day is of paramount importance.

What have we done?

In an effort to continuously improve our proactive approach to safety, we have changed the Group health and safety organisational structure to bring regional support to our core geographies. This new structure allows the Group health and safety resources to be closer to individual operating companies within their region and to better support the Managing Directors and the wider health and safety community.

In addition, our health and safety processes, such as risk identification, risk assessment and incident investigations have been enhanced with an emphasis on root cause findings and the hierarchy of controls to focus on prevention rather than reaction to accidents. An improved incident notification process has also been launched so that any events are promptly reported to line managers to ensure appropriate and timely actions are taken.

We have empowered all colleagues to report hazardous environments and near misses, as well as instilling a stop work authority to prevent unsafe conditions. We have sought feedback on operational and facility improvements through our employee forums which allow our employees to focus on health and safety as a key discussion topic. To complement this and obtain a comprehensive view from all employees, we conducted a Group-wide employee safety culture survey in September 2023. This indicated there is a high level of understanding of internal health and safety expectations and employee responsibilities. The next evolution will be an elevated focus on employee behaviours and accountability.

Whilst we still have work to do in the area, these efforts have led to a reduction in our Lost Time Incident Rate ('LTIR'). In 2023 it fell by 61% to 0.43 (2022: 1.1). All lost time incidents were investigated by health and safety managers alongside members of the local operational teams. Managing Directors were requested to present the investigation findings to the Executive Board to demonstrate elevated involvement in the process. Learnings from all incidents are shared with the wider organisation, reinforcing the importance of keeping our people safe and communicating corrective actions from incidents.

What will we achieve?

Our aim is to significantly reduce the number of health and safety incidents throughout our organisation along with minimising the severity of lost time incidents.

To support this objective, we will:

- Increase our focus on leading indicators, such as near miss reporting and safety observations, rather than lagging indicators.
- Continually improve the identification of key risk areas across our business as well as our culture and approach to health and safety in our operating companies.
- Increase safety awareness and accountability for our employees across all businesses.
- Enhance the delivery of safety training for our people.
- Continue to drive campaigns focusing on those areas that represent major risks for the Group's operating companies.

How will we measure progress?

We use LTIR as the key indicator to track and monitor our progress in health and safety.

Our LTIR for 2023 was 0.43, well ahead of our 2025 target and a testimony to the work put into improving health and safety across our operating companies.

Targets & Actuals	2023 Actual	2022 Actual	2025 Target	2030 Target
Lost Time Incident Rate	0.43	1.1	**0.75**	**0.25**

Warning sign, Mallatite, UK

TALENT, DEVELOPMENT AND ENGAGEMENT

Alignment with UN SDGs

1 NO POVERTY
4 QUALITY EDUCATION
8 DECENT WORK AND ECONOMIC GROWTH

Why does it matter?

Talented people are fundamental to the success of our autonomous business model and help deliver our purpose and growth ambitions. We need a highly engaged and capable workforce within our operating companies, and this can only be done by attracting, developing, supporting, and retaining the right people. Positive employee engagement and offering great careers for people increase our productivity, enhance our reputation, and deliver our growth plans.

What have we done?

We ran our annual employee engagement survey in September 2023, with a high participation rate of 80%. Employee engagement levels decreased to 56% in 2023 (2022: 61%) with a large reduction seen for our youngest employees. The feedback indicated that recognition remains a universal priority alongside talent attraction and retention, and these are both areas that our operating companies will focus on in the year ahead.

In 2023 we have focused on senior level succession, the development of high potential individuals within our operating companies, and manager and supervisor training and development.

In the UK our apprenticeship programme has continued to be a successful way of developing our people. 21 employees have completed their apprenticeship in 2023, with 60 active apprenticeships in place as at 31 December 2023. In recognition of the cost of living challenges we launched a UK employee discount platform which provides employees with opportunities to save money on everyday items or larger one-off purchases.

In the US, most of our companies utilise internships as a way of attracting early careers talent. This can provide a good pipeline of candidates who then return as permanent employees.

What will we achieve?

Understanding the importance of highly engaged people, our Managing Directors are focused on developing local action plans to address the areas identified for improvement in the recent engagement survey. Recognising the importance of acting on the feedback and openly sharing progress, greater emphasis will be placed on keeping the communication process ongoing during the year. To assist with lifting engagement levels at an overall level, our HR teams will share good practice so that other companies can implement these wherever possible.

We will continue to develop our supervisors and managers, with development programmes planned for 2024. We will implement our new approach for managing senior successors and will focus on identifying longer term internal successors and delivering development activities that support their continued growth.

How will we measure progress?

We will continue to measure progress through our engagement survey against our targets. We will continue to listen and act on feedback that we receive from our employees during the year.

Measure	2023 Actual	2022 Actual	2025 Target	2030 Target
Engagement Score	56%	61%	**66%**	**75%**
Movement in pts	-5pts	+6pts		

Welding apprentices, Birtley Group, UK

CASE STUDY

SHANE FELIX, UTILITY PRODUCTS ENGINEER AT CREATIVE COMPOSITES GROUP

Shane started his career by completing a Summer Internship at CCG after his freshman year of college in 2020, where he was undertaking a degree in Civil Engineering. He grew up in Alum Bank, PA, the same town as Creative Pultrusion's facility, where he enjoyed his experience so much that he returned for further internships in the summer of 2021 and 2022.

He started working full time in May 2023 as a Utility Products Engineer. He has been able to put his studies to practical use, working alongside the sales team to design Fiber-Reinforced Polymer utility products that provide our customers with poles and crossarms to strengthen the electrical grid. He is continuing to build his experience, and next year will be moving into a Technical Sales role. This is a natural progression of his existing role but will allow him to communicate directly with customers and attend trade shows. Shane values being able to use his engineering knowledge in product development, and he values communicating with people. His role allows him to problem solve better by understanding customer needs and finding solutions.

Shane describes the best thing about his role as, "the community environment. Everyone is friendly and easy to work with. It has made me want to stay here. Management works with us and I have learned so much from them. It's been an important part of my growth".

DIVERSITY AND INCLUSION

Alignment with UN SDGs

5 GENDER EQUALITY · 8 DECENT WORK AND ECONOMIC GROWTH · 10 REDUCED INEQUALITIES

Why does it matter?

We aim to employ the best people for the job and help them thrive. We know that we can only do this by considering talented people from the whole community, making our business attractive for them to join and by providing an environment where they can be themselves and give their best. If we can provide attractive opportunities for our people, and ensure we have a workforce that is truly diverse, our business will perform to its absolute potential and achieve our ambitious economic growth plans, as well as deliver individual success.

Everyone is actively encouraged to communicate and share information with colleagues. It is important to us that we create an inclusive culture, where all voices and perspectives have an opportunity to be heard.

What have we done?

The recent employee survey highlighted that we have made positive progress with diversity and inclusion. 73% of employees agreed that Hill & Smith values diversity (2022: 69%).

We established a steering group in 2023 for a Hill & Smith Women's Network. The group was selected to provide a broad spectrum of employees in various levels and types of role. They have initially identified three focus areas relating to both attracting and retaining women. The group will expand in 2024 and we will be publicising how our people can get actively involved.

We have continued to focus on attracting more females into our business, and our progress is reflected in the improvement in our 2023 Gender Pay Gap.

Our apprenticeship scheme is another method of attracting more diversity into our business. In 2023, our gender splits for new hire apprentices were 16% female, 84% male. This includes recruiting females as welding apprentices, traditionally a role that has attracted more males.

In response to the UK Corporate Governance Code requirement to have a workforce engagement mechanism, we continued with our Employee Forums in 2023, holding one face-to-face session in the UK in May and one in the US in June. We then ran virtual sessions in December. Topics included health and safety, sustainability, innovation, and business updates on performance. We gained valuable feedback and insights from the process. Examples of specific actions that we took from the meeting include the completion of a cooling vest trial in the US and design of onboarding materials that the operating companies can use for new starters to cover helpful information about the Group.

What will we achieve?

We will focus locally and at a Group level on increasing levels of diversity, so that we represent the communities that we serve. We will continue to bring together HR leaders from across our operating companies so that we can share best practice and learn from each other.

We will provide tools, resources, and information in support of our Women's Network. We will encourage employees to take part in the network, as we start to build momentum with the areas of focus for 2024.

We will arrange further Employee Forums, where we will be seeking further feedback on what is working well and where we can improve. We will provide business updates, invite colleagues from across the business to present on important topic areas and also encourage sharing of good practice that is happening within our operating companies.

We want to build on the success of our apprenticeship programme, recognising it is an important way of attracting and retaining diverse talent. We will recruit additional apprentices and upskill existing colleagues though apprenticeships where feasible to do so. We will continue to employ interns within our US businesses.

How will we measure progress?

We will continue to measure gender and ethnic diversity at a senior level and review the engagement survey scores for diversity and inclusion to track progress.

Gender Diversity	2023 Actual	2022 Actual	Target: 2025	Target: 2030
PLC Board	29%[1]	38%	**40%-60%**	**40%-60%**
Executive Board	40%	33%	**40%-60%**	**40%-60%**
Senior Leaders	19%	20%	**20%-30%**	**40%-60%**

Ethnic Diversity	2023 Actual	2022 Actual	Target: 2025	Target: 2030
PLC Board	14%	13%	**10%-15%**	**10%-15%**
Executive Board	20%	17%	**10%-15%**	**20%-25%**
Senior Leaders	10%	16%	**10%-15%**	**10%-15%**

1 In January 2024 the Group appointed two new directors to the Board: Carol Chesney, Non-executive Director, and Hooman Caman Javvi, Chief Operating Officer. Mark Reckitt, Non-executive Director, will be retiring from the Board at the conclusion of the AGM in May 2024. Following these changes, the composition of the Board will be 62% male and 38% female.

CASE STUDY

FRANKIE MILES AND CHLOE JOHNSON, APPRENTICESHIP WELDERS AT BARKERS ENGINEERING

Frankie and Chloe were both aged 16 when they were taken on as apprentices at Barkers Engineering, our UK security fencing business, in September 2022, straight from school.

Frankie had been a pupil at the JCB Academy where she had developed her passion for engineering, and in particular, welding.

Chloe had originally joined Barkers as a stop gap while she waited for her medical assessment for the Navy, which is a path she is no longer pursuing due to the experience and opportunities that she has received in her current role.

Before they started, Barkers welding division was entirely male, and the company did not have the right changing and other facilities in place for female employees.

Barkers quickly turned this around and made sure that all the necessary steps were taken to ensure Frankie and Chloe's first experience of the world of work was as smooth as possible and the two young women are excelling.

Both agreed that by setting an example, they hope to inspire and encourage more females into this industry.

Simon Watts, Operations Director at Barkers, said: "Frankie and Chloe are great additions to the team. During the interview process they both stood out straight away as the best people for the job. The experience has also positively changed attitudes within our team."

CLIMATE RISKS AND TCFD

Alignment with UN SDGs

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

Why does it matter?

We recognise that climate change is a pressing global issue and as a company we are committed to promoting a sustainable environment and to provide updates on our progress in doing so. To that end, we are pleased to issue our report in response to the Task Force on Climate-related Financial Disclosures ('TCFD') recommendations.

What have we done?

The TCFD recommendations require companies to disclose information on their financial and physical risks and opportunities due to climate change, and how they are being managed. During 2023 we continued to develop our approach to assessing the impact of climate change on our business operations, strategy, and financial planning. We are fully compliant with the recommended disclosures, apart from partial compliance with Metrics and Targets. See page 51 for further details.

How do we ensure good governance?

The Board views oversight and effective management of environmental, social and governance related risks as essential to the Group's ability to execute its strategy and achieve long term sustainable growth. The Board receives six-monthly updates on progress around sustainability focus areas including climate related risks and opportunities. In addition, the annual budget process includes consideration of operating company level carbon reduction plans, and during 2023 similar focus was introduced into the strategic planning process which covers a five-year timeframe. The evaluation of potential acquisitions also includes an assessment of the impact on our greenhouse gas emissions reduction targets. The Audit Committee is responsible for overseeing the management of climate related risks and opportunities and associated metrics and targets. In addition, the Risk Committee is responsible for identifying and assessing climate related risks and opportunities with an established approach to support this assessment.

PLC Board

- Responsible for approving and overseeing the Group's sustainability targets
- Receives six-monthly updates on sustainability progress from the Sustainability Committee
- Has oversight of TCFD reporting and disclosures (through the Audit Committee and Risk Committee)

Sustainability Committee

- Responsible for defining and delivering the Group's sustainability approach and long-term goals
- Formed in 2021, meeting every two months to review and oversee progress against sustainability targets
- Use of third party specialists to provide additional insight and training (including climate change issues)
- Members include; Executive Chair, Group CFO, Group Presidents, Group Head of Sustainability and other senior management

Risk Committee

- Responsible for the methodology to identify and assess climate related risks and opportunities
- Agrees TCFD metrics and targets with Sustainability Committee
- Reports significant climate related risks and opportunities and corresponding mitigation plans to the Audit Committee for consideration
- Further details about the Risk Committee can be found on page 57

WHAT IS THE IMPACT OF CLIMATE RELATED RISKS AND OPPORTUNITIES ON OUR STRATEGY?

To understand the impact that climate could have on our business we performed a high-level assessment based on a range of climate change scenarios. The selected scenarios represent a range of government policy intervention from very low (resulting in a 4˚C temperature increase) to significant (2˚C), to aggressive (1.5˚C). The timeframes were selected after consideration of the likely timing of transition risks, such as carbon pricing, and when significant physical climate changes are expected to materialise:

Scenario	"Global Net-Zero by 2050"	Announced pledges	Higher warming
Overview	Global warming is limited to 1.5˚C as the world reaches global net-zero emissions by 2050. Transition risks more prevalent.	Forecasts to what extent announced ambitions and targets are on path to deliver global net-zero.	High-emissions scenario, consistent with a future with no policy changes to reduce emissions. Physical risks more prevalent.
Temperature Increase	~1.5˚C	~2˚C	~4˚C
Timeframes	2030 & 2040		2040

During 2021 a risk assessment workshop was held with PwC to determine which risks could have a material impact after considering both potential financial impact and likelihood. The assessment of climate related transition risks and opportunities was completed on a sub-divisional and geographic basis, with physical climate risk vulnerability analysis completed for our operational sites. In 2022 and 2023, we completed physical climate vulnerability analysis for new sites acquired since the original 2021 analysis. The 2021 climate vulnerability analysis remains valid given there has been no change in the underlying climate analysis tool data since then. The assessment of transitional risk considered emerging regulatory requirements, such as carbon pricing.

The output of this assessment has enabled us to identify the material impacts on our business arising from each of these selected scenarios. The impacts were assessed without considering any actions that we might take to mitigate or adapt to these future climate change scenarios. The main impacts of the scenarios being:

Transition Risk (TCFD, 2017)

Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organisations.

Physical Risk (TCFD, 2017)

Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organisations, such as direct damage to assets and indirect impacts from supply chain disruption.

Global warming scenario: 1.5°C and 2°C

As the global economy transitions to a low carbon state, we have identified several potential short to medium-term risks and opportunities for the Group:

- The availability of greener technology to adapt to lower emissions
- Increased demand for renewable energy leads to reduced supply or an increase in the cost of purchasing renewable energy
- The introduction of carbon pricing across our key geographies increases both our manufacturing costs and the costs of raw materials
- Potential opportunities for the Group given the existing focus on sustainable infrastructure products, for example galvanizing and certain composite applications. Further innovation in new products and services, in line with our purpose, will present further growth opportunities. See case studies on page 51

Other risks identified, but not considered material at this stage, include reputational damage to the Group's brand due to climate inaction or negative climate impact from production / supply chain.

The EU Carbon Border Adjustment Mechanism (CBAM) has not impacted the Group. The proposed UK CBAM would place a carbon price on emissions intensive industrial goods imported to the UK (such as steel and aluminium) by the Group. At this stage UK CBAM carbon prices have not been included in our costed plan, although it has been assumed that the associated increase in the cost of raw materials could be absorbed in sales price increases.

Impact analysis

Under both scenarios, operating costs, particularly relating to carbon pricing, could increase if they are not proactively mitigated. We have therefore assessed the potential financial impact of carbon pricing relating to our current scope 1 and scope 2 emissions. The Group is committed to reducing greenhouse gas emissions as demonstrated by our 2040 net-zero ambition, see our costed plan on page 40, which will substantially mitigate the gross risk exposure to carbon pricing. The financial impact of carbon pricing has been considered as part of the costed plan relating to our net-zero ambition. The impact of a potential increase in the cost of renewable energy is not considered material based on the Group's current renewable energy consumption. As the Group's adoption of renewable energy increases, future exposure to renewable energy pricing will partly be offset by self-generated energy.

Carbon Pricing* Gross Risk Impact (scope 1 and 2)

Annual Impact by 2030	1.5°C	2°C
Average annual operating cost increase assuming no proactive carbon reduction plans are undertaken based on 2023 exit run rate emissions. Figures as at end of 2022 in brackets	£4.9m (£4.4m) Based on $130 per tonne*	£4.5m (£4.1m) Based on $120 per tonne*
Annual Impact by 2040	**1.5°C**	**2°C**
Average annual operating cost increase assuming no proactive carbon reduction plans are undertaken based on 2023 exit run rate emissions. Figures as at end of 2022 in brackets	£7.7m (£6.9m) Based on $205 per tonne*	£6.4m (£5.8m) Based on $170 per tonne*

* Carbon pricing assumptions based on PwC estimates for advanced economies in 1.5°C and 2°C scenarios.

Global Warming Scenario – 4˚C

Under this scenario, we expect to see an increase in the frequency and magnitude of extreme weather events across our global operations. This could present multiple challenges for the Group including:

- Damage to operations from extreme weather events
- Operational downtime due to severe weather conditions
- Difficult working conditions e.g., extreme temperature could have the potential to lead to reduced working hours or to an increase in absenteeism
- Potential for an increase in the number of injuries or accidents when conducting operations

There are also potential growth opportunities relating to Group products and services which provide solutions for extreme weather. See case studies on page 51.

Impact analysis

This scenario may include costs relating to the repair of assets, increased volatility, business discontinuity and needed resiliency investments for addressing more severe and frequent natural disasters that would occur under a warming of 4˚C. Working alongside PwC, we have analysed the Group's exposure to climate hazards at the Group's 55 operational sites (2022: 53 sites). A summary of the results is as follows:

Managing Director, Jeetinder Chopra presents an award to Nagaraju Murugaiah, BPSI, India

Based on the below analysis, at the end of 2023, the Group had 14 sites at higher risk of one or more climate hazards with heat being the most significant threat (8 sites, 15%). The total number of higher risk sites have increased compared to 2022 (12 sites) due to acquisitions during 2023. In 2040 heat is predicted to remain the most significant threat to the Group (10 sites, 18%). Overall, 35% of sites have been identified to be at higher risk from one or more climate hazards by 2040, which represents c. 25% of 2023 Group revenues, however the revenue at risk is much lower as the complete loss of annual revenue from a site following a climate hazard event is highly unlikely and the sites have mitigations in place as well as the necessary insurance cover.

During 2023 business continuity plans were updated and enhanced across all our operational sites. In 2024 we will begin to assess and test business continuity plans at our sites most exposed to climate-related physical hazards. The results of this analysis indicate the importance of taking action to reduce greenhouse gas emissions to minimise transition related risks. It also suggests that, while physical climate change risks to our future business operations are relatively low, it may present opportunities for the Group. Given our focus on sustainable infrastructure, some of our operating companies already provide products and solutions to address extreme weather conditions, and we see this as an opportunity for future growth.

	Sites at higher risk*			
Hazard	2023 No of sites**	2023 % Total sites	2040 No of sites	2040 % Total sites
Flood	3 (1)	5%	5	9%
Wind	3 (3)	5%	4	7%
Precipitation	7 (5)	13%	8	15%
Heat	8 (6)	15%	10	18%
Hail/Thunderstorms	5 (4)	9%	5	9%
Drought	2 (2)	4%	3	5%
Wildfire	4 (4)	7%	4	7%
Total unique sites with one or more high risk hazards	14 (12)	25%	19	35%

* PwC's climate analysis tool assigned each site, for each hazard, an absolute hazard score from 1 to 100. Sites with hazard scores greater than 70 were deemed high risk.

** 2022 figures in brackets

How do we manage risk?

The Risk Committee is responsible for identifying, assessing, and managing climate related risks and opportunities and reporting significant risks to the Board. This includes consideration of emerging regulatory requirements, such as carbon pricing. The impact assessment has identified that some of our operating companies may be more severely impacted by future climate change scenarios. The Risk Committee is responsible for actively working with our operating companies to ensure that appropriate mitigation strategies are in place using our established Risk Management Framework (refer to page 51) for further details). Based on the scenario analysis and impact assessment outlined above, the Board deems climate change to be a Principal Risk to the Group (see pages 60 to 65).

How will we measure progress?

The Group has set the following metrics and targets to assess and manage climate related risks and opportunities:

- We are committed to reducing our scope 1 and 2 greenhouse gas emissions to achieve our net-zero target by 2040. In the near term, we are measuring progress through reduction in our CO_2e intensity ratio. Refer to page 41 for further details of progress to date
- Having established our baseline scope 3 greenhouse gas emissions, we submitted our proposed near and long-term targets to SBTi in July 2023 and these were approved in December 2023
- While we have metrics for climate related risks, during 2024 we will continue to develop cross-sector metrics for climate related opportunities, capital deployment, internal carbon pricing, and remuneration
- In addition, we currently measure water usage and waste production and continue to look at ways to minimise our environmental impact

TCFD Elements	TCFD Recommended Disclosures	Compliant
Governance	a. Board oversight	√
	b. Management's role	√
Strategy	c. Climate related risks and opportunities	√
	d. Impact of climate related risks and opportunities	√
	e. Resilience of the organisation's strategy in climate scenarios	√
Risk Management	f. Risk identification and assessment	√
	g. Managing climate related risks	√
	h. Integration into overall risk management process	√
Metrics and Targets	i. Metrics for climate related risks and opportunities	X
	j. Scope 1, 2 and 3 greenhouse gas emission metrics	√
	k. Climate related targets - scope 1, 2 and 3	√

CASE STUDY

'StormStrong' Products – Creative Composites Group, US

StormStrong products include utility poles, utility crossarms, lighting poles, waterfront sheet piles, waterfront pipe piles and FRP cooling towers. They provide resilience, durability and corrosion resistance in both grid and shoreline applications to ensure structural integrity in extreme weather conditions such as hurricane-force winds, blizzards and deep freezes. Creative Composites Group also manufacture 'FireStrong' fire resistant utility poles that can protect the grid from the excessive heat generated by brush/grass fires.

Rail Track Flood Resilience – Asset International Structures, UK

The "Asset BaFix" track ballast shoulder retention system adds stability to rail tracks and provides flood resilience to ensure remote areas of rail networks are not cut off during flooding and extreme weather.

HVAC vibration isolation systems – Novia, US

Novia's vibration isolation roof curbs are designed to withstand significant weather events, such as hurricanes, to protect Heating Ventilation and Air Conditioning ('HVAC') systems and ensure life and safety critical facilities remain open and operational. Such facilities include hospitals, police and fire stations, data centres and educational centres.

ETHICAL CONDUCT

Alignment with UN SDGs

8 DECENT WORK AND ECONOMIC GROWTH
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

Why does it matter?

As an international Group, we recognise that acting ethically towards our employees and other stakeholders shows our commitment to doing business in a responsible manner:

- Protecting ourselves and our employees
- Creating a sense of pride in our employees that we always 'do the right thing'
- Ensuring transparency when dealing with customers and suppliers
- Supporting the communities in which we work with fair and equitable employment policies and opportunities
- Maintaining our reputation with all our stakeholders

The Group is committed to treating all people, whether employed directly by the Group or its subsidiaries or employed in its supply chain, fairly and equitably and we are committed to upholding their human rights. The Group recognises all individuals' basic human rights and is committed to respecting the Universal Declaration for Human Rights. The Group respects the human rights of all those working for or with us, and of the people in the communities where we operate. We will not knowingly do business with companies, organisations, or individuals that we believe are not working to at least basic human rights standards.

Our Group companies also comply with all applicable wage and working-time laws and other laws or regulations affecting the employer/employee relationship and the workplace. We oppose the exploitation of all workers, children and young people, we will not tolerate forced labour, or labour which involves physical, verbal, or psychological harassment or intimidation of any kind, and we will not employ child labour in any of our operations. Nor will we permit the exploitation of, or discrimination against, any vulnerable group. We have a zero tolerance approach to the fundamental violation of an individuals' basic human rights that slavery and human trafficking represents. We aim to make a positive impact on society from our operations. The Group's business activities incur a substantial amount of different taxes, and the Group is committed to complying with tax laws in the geographies in which it operates and works closely with tax authorities in those countries. The Group does not operate in countries considered as partially compliant or non-compliant, according to the OECD Tax Transparency report and blacklisted or grey-listed by the EU, except for Australia, where the Group has a roads business.

What have we done?

The Group is committed to conducting its business activities responsibly and ethically and in accordance with the laws and regulations applicable to the jurisdictions in which we operate and we have a series of policies that support this objective. These are supported by training and educational programmes for employees, together with a Group Code of Business Conduct ('CoBC') which underpins all our activities. The CoBC presides over areas such as health and safety, ethical business practice, gifts and entertainment, conducting international business, protection of individuals, resources and assets and outlines the Group's legal and compliance responsibilities in areas such as anti-bribery and corruption, export laws and regulations and international fair and open competition.

For employees who wish to raise concerns without fear of reprisal or victimisation, we provide an external confidential, independent whistleblowing hotline and email facility, which is available in local languages, or they can contact senior managers within their business, the Group Company Secretary, or the Chair of the Audit Committee, without fear of reproach. During 2023, 10 such issues were reported and investigated (2022: 12).

Specific policies have been developed and the following are available on the Group website www.hsgroup.com:

- Supply Chain
- Code of Business Conduct
- Anti-Bribery & Corruption
- Modern Slavery
- Whistleblowing

What will we achieve?

We will regularly review operating companies' standard terms and conditions of purchase, and standard long-term supply agreements across the Group. The terms and agreements must include requirements concerning ethical operations, including provisions addressing a supplier's obligation to comply with the UK Modern Slavery Act or similar local legal obligations. We will conduct annual audits to ensure that we fulfil our obligations under the UK Modern Slavery Act.

We will act in accordance with our CoBC, upholding a zero-tolerance approach to bribery and corruption. There were no incidents of bribery and corruption reported in 2023 (2022: nil).

We will monitor and investigate all Whistleblowing reports as well as learning the lessons from such incidents in order to manage such reports to an acceptable level.

We conduct our dealings with tax authorities with honesty, integrity, respect, and fairness and in a spirit of co-operative compliance.

How do we ensure we are compliant?

- Annual Modern Slavery audits
- Board oversight of all Whistleblowing Reports
- Annual approval of all ethical policies by the PLC Board or Executive Board
- Maintain online training to ensure compliance with relevant legislation
- Annual certification by Group operating subsidiaries that they have complied with policies issued by the Group, and in particular with the CoBC

CASE STUDY

V&S UTILITIES GROUP - ORGANIC AND INORGANIC INVESTMENT SUPPORTING GROWTH

"The US investment in strengthening the resilience of the electrical grid is backed by bipartisan infrastructure bills, and V&S Utilities is very well positioned to serve this market sector."

V&S Utilities provides fabricated steel and other products and services to the electrical transmission and distribution market, which is steadily growing as the US invests in upgrading aging electricity infrastructure. The US investment in strengthening the resilience and reliability of the electrical grid is backed by bipartisan infrastructure bills, and V&S Utilities is very well positioned to serve this market sector. Hill & Smith has made significant investments to increase the footprint, capacity and capabilities of V&S Utilities, acquiring an Ohio fabrication company in 2018 and most recently through the acquisition of Capital Steel Service in New Jersey in January 2024.

With the acquisition of Capital Steel Service, V&S Utilities now consists of four locations that produce structural and tapered tubular steel products as well as packaging services for electrical components. The new business is highly complementary to our existing activities and will further accelerate our strategy in this high-growth market. The acquisition will expand our geographical customer base, generate material cross-selling opportunities and provide additional manufacturing capacity and capability.

In addition, we are also investing in our V&S Utilities plant in Burton, Ohio, with construction of an extensive addition to the facility underway to further increase capacity and serve the electrical utility customers in the northeastern US market.

As our geographic footprint in the US expands, our focus on safety, customer support and quality will remain our top priority.

SUSTAINABLE GOVERNANCE continued

Sustainability Data

	2023	2022	2021	2020	2019
Product Research & Development					
Spend on R&D	£3.3m	£2.8m	£1.9m	£2.0m	£1.4m
Percentage of revenue	0.4%	0.4%	0.3%	0.3%	0.2%
Environmental					
Environmental penalties	£nil	£nil	£nil	£nil	£nil
Carbon Disclosure Project ('CDP') Rating	B	B	D	C	D
Group water usage (m^3)	92,963	84,667	104,795	95,093	91,152
Solid waste to landfill (tonnes)	4,769	5,138	3,600	5,165	4,678
Recycled waste (tonnes)	22,385	18,870	13,755	19,145	22,514
Percentage of recycled waste	82%	78%	79%	83%	85%
Greenhouse gas emissions					
Emissions (tCO_2e) - Scope 1: UK (1)	16,074	17,494	18,322	17,653	n/a
Emissions (tCO_2e) - Scope 1: Rest of World (1)	20,591	15,782	18,824	20,278	n/a
Location-based emissions (tCO_2e) - Scope 2: UK (1)	3,165	3,066	3,867	3,818	n/a
Location-based emissions (tCO_2e) - Scope 2: Rest of World (1)	10,074	8,317	8,652	8,496	n/a
Market-based emissions (tCO_2e) - Scope 2: UK (1)	164	428	1,054	4,441	n/a
Market-based emissions (tCO_2e) - Scope 2: Rest of World (1)	9,837	8,315	8,624	8,466	n/a
Intensity Ratio	0.06	0.07	0.09	0.10	0.11
Scope 3 (tCO_2e) – Group(1)	830,732	1,264,512	n/a	n/a	n/a
Other Greenhouse gas emissions – CH_4 (tCO_2e)	65	65	87	81	n/a
Other Greenhouse gas emissions – N_2O (tCO_2e)	144	114	213	194	n/a
Energy Consumption					
Energy Consumption UK (kWh)	93,797,826	105,589,838	n/a	n/a	n/a
Energy Consumption Rest of World (kWh)	147,333,308	118,499,128	n/a	n/a	n/a
Energy Consumption Total (kWh)	241,131,134	224,088,966	329,447,183	318,527,334	330,041,768
Health & Safety					
No. of workplace fatalities	0	0	0	0	0
No. of lost time injuries	35	85	142	109	119
LTIR	0.43	1.1	1.7	1.5	1.6
No. of Near Miss Reports	1,969	2,217	2,126	955	n/a
Ethical conduct					
Charitable donations	£98,985	£62,000	£39,000	£21,000	£39,000
Whistleblowing reports made by employees	10	12	2	3	19
Modern Slavery audits carried out	Yes	Yes	Yes	Yes	Yes

1 In accordance with our Greenhouse Gas Emissions Recalculation Policy (available at https://hsgroup.com/who-we-are/governance/our-policies/) and the GHG Protocol, our 2020-2022 scope 1, 2 and 3 data has been revised to remove the emissions relating to any operating companies that have been divested and to include estimates for the emissions from companies that we have acquired during those years. This may result in stated emissions for previous years differing from those reported previously, but allows a meaningful comparison of current emissions with base year and historic year emissions.

	2023		2022		2021		2020		2019	
Talent & Employment Practices										
No. of Group employees (as at 31 Dec)	4,336		3,817		4,402		4,398		4,591	
Voluntary (regrettable) attrition rate	9%		14%		14%		6%		n/a	
Percentage of employees with access to a recognised Trade Union	5%		11%		18%		18%		n/a	
UK Gender Pay (Median Pay Gap)	-0.1%		2.8%		-4.5%		0.1%		-3.2%	
Training Spend	£0.9m		£0.8m		£0.6m		£0.4m		n/a	
Total No. of days training	5,799		5,626		4,119		4,000		n/a	
UK Apprenticeships	60		55		49		34		n/a	
Percentage of UK sites utilising the Apprenticeship Levy	83%		89%		57%		49%		n/a	
Employees participating in training & development	3,527		2,386		156		111		n/a	
Percentage of employees participating in training & development that are female	9%		10%		17%		10%		n/a	
Engagement										
Engagement Survey participation	80%		80%		62%		n/a		56%	
Engagement Score	56%		61%		55%		n/a		48%	
Inclusion Engagement Score	73%		69%		63%		n/a		58%	
Gender Diversity										
	M	F	M	F	M	F	M	F	M	F
PLC Directors (2)	5	2	5	3	5	3	5	2	5	2
Exec Board	3	2	4	2	4	2	n/a	n/a	n/a	n/a
No. of Subsidiary Directors	46	10	39	7	49	3	66	5	79	3
No. of Senior Leaders	109	26	78	20	201	38	174	39	221	40
Percentage of PLC Directors (2)	71%	29%	62%	38%	62%	38%	71%	29%	71%	29%
Percentage of Exec Board	60%	40%	67%	33%	67%	33%	n/a	n/a	n/a	n/a
Percentage of Subsidiary Directors	82%	18%	85%	15%	94%	6%	93%	7%	96%	4%
Percentage of Senior Leaders	81%	19%	80%	20%	84%	16%	82%	18%	85%	15%
Total percentage of Group employees	89%	11%	90%	10%	90%	10%	90%	10%	91%	9%

SUSTAINABILITY POLICIES

The Group has a number of policies that support its Sustainability Plan. These are listed below, and these can be found at https://hsgroup.com/

- Product Responsibility Policy
- Conflicts Mineral Policy
- Supply Chain Policy
- Energy Policy
- Environmental Policy
- Health & Safety Policy
- Equal Opportunities & Diversity Policy
- Talent & Development Policy
- Tax Strategy Policy

[2] In January 2024 the Group appointed two new directors to the Board: Carol Chesney, Non-executive Director, and Hooman Caman Javvi, Chief Operating Officer. Mark Reckitt, Non-executive Director, will be retiring from the Board at the conclusion of the AGM in May 2024. Following these changes, the composition of the Board will be 62% male and 38% female.

RISK MANAGEMENT

The Group has an established Enterprise Risk Management Framework that identifies, evaluates, manages, and monitors risk. Enhancements have been implemented during 2023 to further improve and embed the risk management process.

Risk Management

Effective risk management is critical to the achievement of our strategic drivers of organic growth, portfolio management, strong cash generation, and sustainability. The Group benefits from an Enterprise Risk Management Framework that is integrated into the ongoing business activities of our operating companies.

Responsibilities

While the Board has delegated the ongoing discussion of risk and risk management to the Audit Committee and Executive Management, the Board is responsible for the overall stewardship of our system of risk management and internal control. It has established the level of risk that is acceptable to our businesses in the pursuit of our strategic objectives. It has also set delegated authority levels to provide the framework for assessing risks and ensuring that they are escalated to the appropriate levels of management, including up to the Board where appropriate, for consideration and approval.

Enterprise Risk Management Framework

The Group operates an Enterprise Risk Management Framework that ensures a consistent and proportionate approach is used to identify, evaluate, manage, and monitor risks across all our operating companies. The Framework integrates with the Group's internal controls and compliance policies and is supported by the internal and external audit programmes. It uses a tiered approach to risk management, with risk registers at operating companies linked to the appropriate Group Principal Risks, with flows of information and assurance (see Figure 1). In keeping with the Group's entrepreneurial approach, individual operating companies record and manage unique risks outside of the Group's Principal Risks as they see fit. This ensures risk management is effectively embedded in a way that fits each specific operating environment and risk horizon.

Figure 1 Risk Management Process

Within the Framework the following roles and responsibilities exist:

The Board:

- retains overall ownership and accountability for risk management;
- ensures the Directors have the appropriate skills, knowledge and experience to effectively assess the Group Principal Risks and carry out their duties effectively;
- evaluates the Group Principal Risks and oversees their management;
- establishes the Group risk appetite; and
- directs the external reporting of risk and viability.

The Audit Committee

Supports the PLC Board by:

- monitoring and directing the testing of the Risk Management Framework, appetite and associated internal controls, including the influencing factors of culture and reward;
- ensuring there is a link between the Group Principal Risks and the Group's internal and external audit programmes;
- reviewing internal and external sources of assurance and information to enable it to recommend to the PLC Board where changes may be needed to the Risk Management Framework and/or Group Principal Risks; and
- reviewing the detail of external reporting.

The Risk Committee

Supports the Audit Committee by:

- acting as a conduit between the Group and our operating companies, supporting the dissemination of the Enterprise Risk Management Framework and risk appetite down from the Board and flow of information and assurance back up to the Board;
- helping the executive team to embed the Enterprise Risk Management Framework by designing and implementing procedures, tools and training;
- proactively analysing and challenging the assessment, management and monitoring of operating company risk registers and day-to-day risk management; and
- ensuring the Board and Audit Committee are provided with sufficient information to discharge their responsibilities effectively.

The Executive Board

Supports the PLC Board by:

- ensuring operating companies are effectively embedding the Group's Enterprise Risk Management Framework and are maintaining live risk registers that are actively managed;
- overseeing the completion of risk reporting with escalation of any significant matters to the Risk Committee in a timely manner; and
- advising the Risk Committee on appropriate levels of target risk and on actions that may be required to ensure effective identification and mitigation of risk.

Risk Appetite

The Enterprise Risk Management Framework clarifies how risk is to be managed in a way that satisfies the decentralised operating model of the Group (see Figure 2). The approach has allowed the Board to consider its appetite in the light of the Group's business model and carry out a robust assessment during 2023 of the Principal Risks and Uncertainties that might threaten the Group's business model, future performance, solvency and liquidity (see pages 60 to 65 for the Group's Principal Risks and Uncertainties).

The Board accepts a level of risk in pursuit of its strategic objectives. Hill & Smith PLC assesses the risk of action (or inaction) as part of every decision and does not allow the Group to take risks that would harm the long-term interests of its strategy, shareholders and stakeholders, including the environment. For example, this might mean:

- pursuing or not pursuing an acquisition, or requiring greater assurance and comfort before proceeding through the due diligence process;
- not entering into contracts that place an onerous contractual or reputational burden on the Group;
- not entering geographic locations where bribery and corruption are accepted or tolerated; or
- not using certain chemicals or treatments (or changing existing treatments) that are harmful to the environment.

A single statement signifying the risk appetite of the Group is difficult to articulate due to its diverse nature, multiple geographic locations, markets and products. However, the Board believes that it effectively demonstrates its risk appetite by the decisions it has taken (and not taken) during the year. Top-down assessment of risk appetite by the Board is possible through Target Risk scoring and the ability for the Board to challenge operating companies on specific risk targets.

Risk in 2023

Risk Committee

The Committee met formally five times during the year and comprises the Group Chief Financial Officer, Group Head of Risk & Internal Audit, Group Company Secretary, Group Director of Corporate Development, Group Financial Controller, Group Head of Legal, Group IT Director and the Group Presidents, plus representatives of the Group's three business segments. The Committee reviews and validates the risk reports from the operating companies, before presenting a Group-wide report to the Audit Committee for discussion on both operating company level risks and Group risks. Review and feedback is provided by the Audit Committee to further question the validity and mitigations of the risks presented and to identify others not already considered. This process ensures that risks are not just the product of a bottom-up approach but are also examined from the top-down.

Risk Analysis

The PLC Board reviewed in depth feedback from the operating companies and the Risk Committee on the Group's Principal Risks. Following detailed debate, the Board concluded that the Group's Principal Risk Register continued to reflect the Principal Risks the Group faced. An increase to the exposure from two of our Principal Risks has been highlighted: Global economic outlook and geopolitical environment, and IT Systems failure. The remaining Principal Risks have remained stable with a Principal Risk regarding Climate Change added. For further details see pages 60 to 65..

Figure 2 Risk Management Framework

Governance

CULTURE AND STRATEGY | APPETITE | REPORTING AND ASSURANCE

Core risk management process

IDENTIFY → ACCESS AND QUANTIFY → MANAGE → MONITOR

Infrastructure

TOOLS, SYSTEMS AND DATA | POLICIES AND PROCEDURES | ROLES AND RESPONSIBILITIES

Risk activities

Activities undertaken to enhance the Group's approach to risk in 2023 included:

- business continuity risk assessment integrated into the 'Risk Playbook' to act as a guide for operating companies;
- guidance issued to operating companies on producing business continuity plans with a focus on sites identified as being at higher risk from physical climate hazards (as part of TCFD assessments);
- virtual seminars and one to one sessions to introduce methodology revisions and to provide ongoing training on the principles of risk management and use of the risk management software.

Emerging Risks

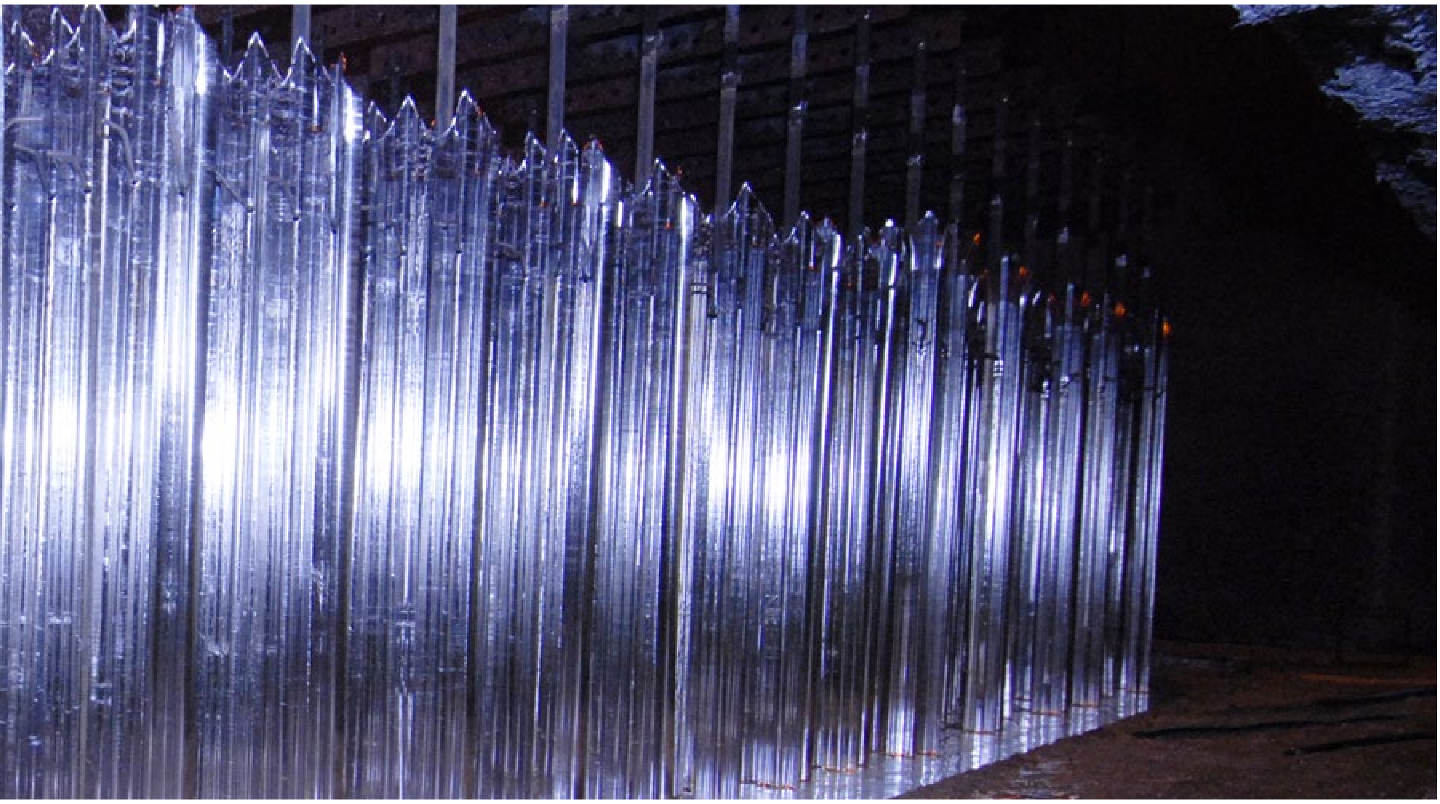
As part of our commitment to continuously evaluate our strategy and product offering, the Risk Committee thoroughly considers emerging risks in the context of future opportunities and threats to the Group's business model. During 2023 the Risk Committee identified, assessed and monitored emerging risks. The results from the emerging risks analysis were presented at the March 2024 Audit Committee and the prioritised emerging risks will be monitored throughout 2024.

Risk in 2024 and beyond

The key focus during 2024 will include:

- development of an MS Excel based risk register and reporting tool to improve ease of use for operating companies.
- continued assessment of the Principal Risks facing the Group and operating companies including those that might threaten the Group's business model, future performance, solvency and liquidity.
- re-run of TCFD Climate Modelling and scenarios for physical impact analysis.
- continued evaluation and identification of emerging risks that might disrupt the business models and strategies of our operating companies.

Emerging Risk	Timescale
Rise of Artificial Intelligence – opportunity and threat	Medium (3-5 yrs)
Escalation of geopolitical conflicts/tensions impact supply chain and/or customer demand	Short (0-2 yrs)
Critical infrastructure failure	Medium (3-5yrs)
Key material/natural resources scarcity	Long (5yrs +)
Declining interest in manual labour	Medium (3-5yrs)



GROUP PRINCIPAL RISKS 2023

Risk	Description and Potential Impact	Mitigation
Reduction in US infrastructure spending	Our growth is supported by multi-year planned government spending to upgrade US infrastructure (e.g. IIJA and the Chips Act), technology change and private investment from US manufacturers and producers to onshore vital components. Changes to these plans could have a detrimental impact on Group revenues. We remain confident that infrastructure investment will continue to form part of national spending plans in the US despite ongoing macro-economic uncertainty.	• Cross-party support for infrastructure investment plans. • Our portfolio covers diverse products, markets and territories. • Market and product development initiatives. • Strategic planning process overseen by the Exec and Board to anticipate and mitigate potential downside risks.
Changes in global economic outlook and geopolitical environment	Material adverse changes in the political and economic environments in the end-user markets in which we operate, have the potential to put at risk our ability to execute our strategy. 2023 has seen escalating geopolitical tensions. While this had limited impact on our supply chains and end markets, we continue to monitor the risk. During 2023 central banks in both the US and UK raised interest rates in an attempt to control inflation. While this is a concern for the cost of living, an increase in interest rates has had a limited impact on the Group's ability to grow given our cash generative model. Alongside this our businesses operate in resilient, less discretionary infrastructure markets.	• The Group has a diverse portfolio of operating companies with exposure to a range of markets and geographies, limiting exposure to any one country or market sector. • Strong balance sheet with low leverage and mix of fixed and floating rate debt. • Current and future financial performance is continuously monitored, facilitating rapid response to changes in market conditions. • In line with our entrepreneurial model, our decisions are made close to our markets and our businesses are agile and responsive to changes in their external competitive landscape.
Increase in competitive pressure	Increased volatility, uncertainty and slowdown in our markets could result in increased competition, leading to a loss of customers and/or pricing pressure and consequently a loss of sales and reduced profits.	• The Group holds leading positions in niche infrastructure markets with high barriers to entry. • In line with our entrepreneurial model, our decisions are made close to our markets and our businesses are agile and responsive to changes in their competitive landscape. • Our operating companies strive to provide superior products and high service levels to customers, while aiming to ensure there is no dependency on any one customer.

No change Increase Decrease

Risk	Description and Potential Impact	Mitigation
Product failure	The Group operates in infrastructure markets where it is critical that its products meet customer and legislative requirements and where the consequences of product failure are potentially significant. Product failure arising from component defects or warranty issues may require remediation including the replacement of defective components or complete products, resulting in direct financial costs to the Group and/or wider reputational risk.	• Products tested, approved and accredited by regulatory bodies. • Quality control protocols fully implemented and continuously monitored. • Contractual controls in place to minimise economic impacts. • Product liability insurance cover maintained globally. • Litigation supported/managed by external legal specialists.
Climate change New	Failure to adapt to and manage the threats and opportunities from climate change could have significant reputational, financial and operational impacts on the Group. Chronic changes in climate and extreme weather events may disrupt our operations. Global warming could place further stress on our supply chain, with extreme weather events impacting supply becoming more likely and chronic changes to heat / rainfall averages potentially impacting where we source certain materials. Transitioning to a low-carbon economy presents technological challenges and the high energy demand of some of our operations could incur carbon taxes. Climate change does present opportunity for the Group through our sustainable products and products to improve infrastructure resilience to increasingly extreme weather hazards. Climate change has been added as a Principal Risk for 2023.	• Sustainability Committee to oversee and govern our carbon reduction plans and initiatives. • TCFD analysis to understand our risks and opportunities arising from climate change. • Climate scenario modelling to evaluate the threat from climate hazards such as extreme heat, flooding, and extreme winds, both now and in 2040, for our operational sites. • Costed plan established to set out how we will achieve net-zero (for scopes 1 and 2) by 2040, reducing our exposure to transition risks. • Insurance cover, continuity planning and extreme weather protocols in place to mitigate our exposure from physical risks. See Our Approach to Sustainability (including our TCFD report) for further details, see pages 36 to 55.

GROUP PRINCIPAL RISKS 2023 continued

Risk	Description and Potential Impact	Mitigation
Supply chain failure	The Group's businesses depend on the availability and timely delivery of raw materials and components, which could be affected by disruption in its supply chain. Supply chain failures because of performance, cost inflation, quality and/or insolvency may have an adverse impact on the Group's production capacity and lead to an inability to meet customer requirements, resulting in a reduction in revenues, potential loss of market share and possible reputational damage. Climate change transition costs could also inflate the price of the goods we purchase. During the year, our operating companies continued to take appropriate action to manage supply chain headwinds. Actions taken included implementing price increases to offset input cost inflation and securing supply of raw materials.	• Group procurement standards, including robust due diligence of supply chain partners and the requirement for dual sourcing where available. • Regular interaction and assessment of performance/ financial status of key suppliers. • Group oversight of material procurement contracts ensuring robust contractual protections. • Contingency plans in place throughout the supply chain, such as purchasing additional stock of key raw materials, and securing additional supply chain capacity. • Group wide thematic Internal Audit review of Supply Chain completed during 2022 with recommendations implemented during 2023.
IT systems failure	The Group relies on the information technology systems used in the daily operations of its operating companies. A failure of those systems or poor implementation of new systems could have a significant operational impact on the Group, impacting customer service, revenue and margins. Poor security controls and procedures could lead to our operating companies being susceptible to cyber attack, potentially resulting in significant IT failure and associated disruption. During the year the global cyber threat has continued to evolve, with increasing numbers of organised criminal groups undertaking increasingly sophisticated ransomware and other cyber attacks. The UK's National Cyber Security Centre ('NCSC') has warned of heightened cyber risk from the rise of artificial intelligence and due to increasingly strained geopolitical tensions. While there has been a continued enhancement of the Group's IT security controls during 2023, the Board considers the risk to be heightened due to the increasing sophistication and frequency of cyber threats across the world.	• The Board maintains a watching brief on IT and cyber risk, and has overseen significant investment across the Group to enhance IT security controls. • Wholesale network security improvements completed during 2023. • IT controls manual mandating a robust set of information security controls covering basic cyber hygiene, system back-up procedures and hardware / software protection. • Ongoing program of IT controls compliance reviews completed by Internal Audit.

No change | Increase | Decrease

Risk	Description and Potential Impact	Mitigation
Portfolio Management No change	The Group's growth strategies include the acquisition of businesses around the world that complement or supplement its existing activities. Failure to execute an effective acquisition and integration programme would have a significant impact on the Group's ability to generate sustainable profitable growth for shareholders.	• All potential acquisitions are tightly evaluated to ensure they fit within our purpose and core strategic goals. • Due diligence protocols deployed in relation to assessment of target businesses, including financial, commercial, and legal etc. • Contractual protections and assurances sought from sellers to mitigate subsequent identification of risks. • Board approval required for Group acquisitions, in line with its Schedule of Matters Reserved. • Post-acquisition integration plans established for all acquisitions with regular performance monitoring and reporting to the Board.
Failure to take advantage of product development and innovation No change	The Group operates in global infrastructure markets where continuous innovation is integral to the Group's product offering and where a failure to innovate could result in product obsolescence, the entry of new competitors and/or loss of market share. The development of new products and technologies carries risk including the failure to develop a commercially viable offering within an acceptable timeframe.	• Entrepreneurial culture and autonomous structure to encourage innovation and enable agile response to a changing competitive landscape. • Our acquisitions strategy brings innovative products and technology to our portfolio. • Board monitoring of emerging risks alongside external specialist support, where both the risks identified and the potential opportunities arising are considered. • Group wide Innovation Framework with two workshops conducted during 2023 to encourage and stimulate increased innovation. • Active Intellectual Property management within individual operating companies overseen by Group.

GROUP PRINCIPAL RISKS 2023 continued

Risk	Description and Potential Impact	Mitigation
Failure to attract, retain and develop an appropriately diverse, skilled and experienced workforce	Talented employees are fundamental to the success of the Group. We aim to employ the best people for the job, and we know we can only do this by considering talented people from the whole community. Failure to attract, develop and retain high-quality individuals may impact our ability to deliver against our strategic goals. During 2023 we experienced some easing in labour market conditions, albeit certain skillsets, e.g. welders and maintenance technicians remain challenging to recruit. This is being partly addressed through apprenticeships.	• Board level review of succession planning for senior leaders. • Training and development programme in place for supervisors and line managers. • New training and development programme for high potential talent to be launched in 2024. • Bespoke coaching and mentoring for identified MD successors to support development. • Continued use of internships and apprenticeships and other vocational courses for specialist and technical roles. • Appropriate remuneration and benefits, together with bonus opportunities and incentive plans offered to employees • Annual engagement survey results inform local operating action plans to improve engagement. • Women's network established in 2023, to attract, retain, and develop female employees.

No change Increase Decrease

Risk	Description and Potential Impact	Mitigation
Prevention of harm or injury to people	The Group is committed to ensuring the health, safety and wellbeing of all employees and third parties. The Group operates multiple manufacturing facilities around the world, a failure in the Group's health and safety procedures could lead to injury or to the death of employees or third parties. LTIR has reduced from 1.1 in 2022 to 0.43 in 2023. Further improvement is required to reach the 2030 Health and Safety target of 0.25 and health and safety remains a key focus area for the Group. In our efforts to continuously improve our proactive approach to health and safety, we have changed the group structure from a global to a regional one to allow the group health and safety resources to be closer to individual operating companies within their region.	• Culture of zero tolerance in respect of health and safety violations promoted by the Board and disseminated throughout Group businesses with clear targets and improvement metrics. • Appointment of UK and US Heads of Health and Safety. • Monthly Health and Safety reporting for all operating companies facilitated via online tools. • Monitoring and review of LTI rates with all LTI incidents investigated and findings presented to the Executive Board. Improvement recommendations are implemented and shared across the Group to minimise any reoccurrence. • Improvement made in our incident investigation to enhance the focus on root cause analysis to prevent further incidents. • Regular health and safety site audits. • Health and safety forums to monitor performance and share best practice. • External health and safety accreditations and relationships maintained with regulatory bodies. • Health and safety is a priority area of focus for new acquisitions.
Violation of applicable laws and regulations	The Group's operations must comply with a range of national and international laws and regulations including those related to modern slavery, anti-bribery and corruption, human rights, and employment, GDPR, trade/export compliance and competition/anti-trust. A failure to comply with applicable laws and regulations could result in civil or criminal liabilities and/or individual or corporate fines and could also result in debarment from Government-related contracts, restrictions on ability to trade or rejection by financial counterparties as well as reputational damage.	• Group Code of Conduct sets out required approach for all staff. • Staff training provided on Modern Slavery red flags, Anti-Bribery and Corruption and Competition compliance. • Programme of audits undertaken on a cyclical basis to review operating companies' compliance with regulatory requirements. • Software solutions implemented globally to ensure compliance with trade and export legislation. • Externally hosted whistleblowing hotline available to all employees to allow them to raise concerns in confidence or anonymously, if preferred. • Modern Slavery compliance programme continued through 2023. • Toolkits issued to all UK operating companies to aid compliance with GDPR.

NON-FINANCIAL INFORMATION STATEMENT

We aim to comply with the Non-financial Reporting requirements contained in S414CA and S415CB of the Companies Act 2006 and the table below, and the information it refers to, is intended to help readers understand our position on key non-financial matters.

Those policies marked with an asterisk can be found on the Company's website hsgroup.com/who-we-are/governance/our-policies/

Reporting requirement	Policies and standards which govern our approach	Additional information	See Page No.
Environmental matters	• Environment policy*	• Sustainability Plan including: – Our Approach – Protecting the World – Saving and enhancing lives – Sustainable Governance • Risk: TCFD • Non-financial KPIs	36 to 55
Employees	• Group Code of Business Conduct* • Health & Safety policy*	• Sustainability Plan including: – Health & Safety – Succession planning and talent management – Group learning and development – Wellbeing • Risk: Talent, diversity, recruitment and retention of key employees • Non-financial KPIs	43 to 47
Human rights	• Equal opportunities & diversity policy* • Board diversity statement* • Data protection policy* • Modern slavery policy*	• Sustainability Plan including: – Diversity & Inclusion – Gender Pay – Human rights	43 to 47
Community	• Individual subsidiary approach	• Stakeholder engagement	34
Anti-bribery and corruption	• Anti-bribery & corruption policy* • International competition law policy • Gifts & Entertainment policy • Whistleblowing policy*	• Sustainability Plan including: – Sustainable Governance • Risk: Violation of applicable laws and regulations	52 to 55
Description of the business model	• Our Strategy • Our Business model	–	14 to 17
Description of the principal risk and uncertainties and impact of business activities	• Our Business Model • Risk Framework • Principal Risks and Uncertainties	–	15 to 17 and 56 to 65
Non-financial key performance indicators	• Employee Engagement • Diversity • Lost time injury rate • Greenhouse gas emissions • Water and waste	–	20 to 21

CASE STUDY

US COMPOSITES – DRIVING GROWTH THROUGH TAILORED ACQUISITION INTEGRATION

Hill & Smith's journey in composites started in 2008 with the acquisition of Creative Pultrusions, a single location business based in Pennsylvania. Through a combination of organic growth and six acquisitions, the Creative Composites Group ('CCG') now operates from five locations and delivers annual revenue of more than $200m with operating margins well above the Group average.

Central to the growth story has been our acquisition strategy and the tailored integration of each business. While the first acquisition comprised a new product line which was absorbed into existing operations, subsequent acquisitions have required more complex integration strategies to unlock the value for the combined group with a focus on highly engineered systems and solutions.

Acquiring Tower Tech in 2017 necessitated a relocation of manufacturing operations to deliver improvements in quality and production methodology while leveraging existing skills. Other key acquisitions were Kenway Composites in 2017 and Composite Advantage in 2018. Both businesses have received capital investment to support growth and were principally integrated from a market perspective, aligning sales teams and marketing strategies to provide the best solutions for our customers.

With the acquisitions of Enduro Composites and United Fiberglass in 2023, it has been necessary to evolve the management structure of CCG. The expanded size of CCG, combined with the broad range of exciting organic and acquisition growth opportunities, has led to the establishment of additional leadership roles and the promotion of talent from within the group. From an organic perspective, the increased management capacity will drive growth through enhanced customer relationships, evolve technologies and support a continued focus on health and safety practices. The new management structure will also enable key individuals to focus on acquisition integration, synergy realisation and sharing best practice. We are therefore better placed than ever to welcome new businesses into CCG and take full advantage of the growth opportunities in the exciting US composite market.

BOARD OF DIRECTORS

Alan Giddins
Executive Chair

Appointed to the Board: 3 October 2017

Alan was formerly a Managing Partner and Global Head of Private Equity at 3i Group plc, and a member of its Executive Committee. He has extensive experience sitting on the boards of international businesses. Prior to joining 3i, he spent 13 years in investment banking advising a broad range of quoted companies.

Alan is also Chair of Watkin Jones plc and a Non-executive Director of Big Society Capital, a leading social impact-led investor.

In July 2022, Alan was asked by the Board to take on the role of Interim Executive Chair. In May 2023, this role was confirmed as Executive Chair.

Hannah Nichols
Group Chief Financial Officer

Appointed to the Board: 16 September 2019

Hannah joined the Group in September 2019. Prior to joining, Hannah had a 14-year career in BT Group plc, most recently as Chief Financial Officer, Asia Middle East and Africa for BT Global Services based in Singapore. Hannah also held a number of commercial roles at Cable & Wireless prior to joining BT. In January 2024, Hannah was appointed a Non-executive Director of Oxford Instruments plc.

Hooman Caman Javvi
Chief Operating Officer

Appointed to the Board: 30 January 2024

Hooman joined the Group in March 2022 as Group President. Prior to joining, Hooman spent 11 years with ABB and Hitachi Energy, most recently as Senior Vice President for the Transformer Insulation & Components business in Europe and Managing Director for Pucaro. Hooman has also held several senior management positions at ABB in Sweden and Germany. In January 2024, he was appointed as Group Chief Operating Officer and joined the board.

Tony Quinlan
Senior Independent Non-executive
A N R

Appointed to the Board: 2 December 2019

Tony has had a successful international career as a plc Director in major technology, industrial, energy and retail companies. He was most recently CEO of Laird plc, where he led a successful turnaround and then took it from listed to private ownership under Advent International.

In addition, Tony is a Senior Independent Director and Audit Chair of Costain Group PLC, Non-executive Director of Associated British Ports and has served as Deputy Chair for the Port of London Authority, where he also Chaired the Audit Committee.

Mark Reckitt
Independent Non-executive
A N R

Appointed to the Board: 1 June 2016

Mark is a Chartered Accountant and was Group Strategy Director of Smiths Group plc from February 2011 to April 2014, and Divisional President of Smiths Interconnect from October 2012 to April 2014. Prior to joining Smiths, Mark was interim Managing Director of Green & Black's Chocolate and before that he held a number of finance and strategy roles at Cadbury plc before being appointed its Chief Strategy Officer from 2004 to 2010.

Mark was a Non-executive Director of JD Wetherspoon plc from May 2012 to May 2016, Mitie Group PLC from July 2015 to July 2018 and he recently retired as a Non-executive Director and Audit Committee Chair of Cranswick plc.

A Audit Committee N Nomination Committee R Remuneration Committee Chair

Pete Raby
Independent
Non-executive
A N R

Appointed to the Board: 2 December 2019

Pete has been the Chief Executive of Morgan Advanced Materials plc since August 2015. Prior to that, he was the President of the Communications and Connectivity sector within Cobham plc. In his nine-year career with Cobham, he held a number of senior leadership roles covering strategy, technology, business transformation, and business leadership.

Prior to Cobham, Pete was a partner at McKinsey & Company in London, specialising in strategy and operations in the aerospace, defence, and power and gas sectors.

Leigh-Ann Russell
Independent
Non-executive
A N R

Appointed to the Board: 1 April 2021

Leigh-Ann joined bp's executive leadership team as EVP Innovation and Engineering in March 2022. In this role, she leads bp's global scientists and engineers to deliver technical innovation, providing assurance through the Safety and Operational Risk and Digital Security teams and leads digital innovation through the IT&S and Digital disciplines.

Leigh-Ann was previously bp's Chief Procurement Officer, accountable for a safe, ethical, and competitive supply chain of £30bn global annual spend. Her main career has been leading large operational, safety and engineering global teams and she was formerly Vice President of Technical Functions.

Farrokh Batliwala
Independent
Non-executive
A N R

Appointed to the Board: 1 April 2022

Farrokh was formerly President of the Connect and Control Technologies division of ITT Inc, a US listed industrials group. Farrokh has significant international operational and leadership experience, combined with having held senior roles in both Strategy and M&A.

Prior to joining ITT, Farrokh held senior management roles at both Eaton Corporation and Pratt & Whitney. Farrokh lives on the East Coast of the US.

Carol Chesney
Independent
Non-executive
A N R

Appointed to the Board: 1 January 2024

Since April 2018, Carol has served as a Non-Executive Director and Chair of the Audit Committee of Hunting plc. In addition, she is a Non-executive Director and Chair of the Audit Committees of IQE plc, Imagination Technologies Group Limited and PTL UK Topco Limited (trading as CRC Evans).

Past Non-Executive roles include Renishaw plc and Biffa plc, for which she also served as Audit Committee Chair. Until 2018, Carol served as the Company Secretary of Halma plc, a FTSE 100 health, safety and environmental technology group, where her role included corporate governance, legal compliance, M&A, equity incentives, pensions, internal audit management, taxation, property, health and safety compliance, environmental reporting and anti-bribery and corruption compliance.

GOVERNANCE AT A GLANCE

HIGHLIGHTS

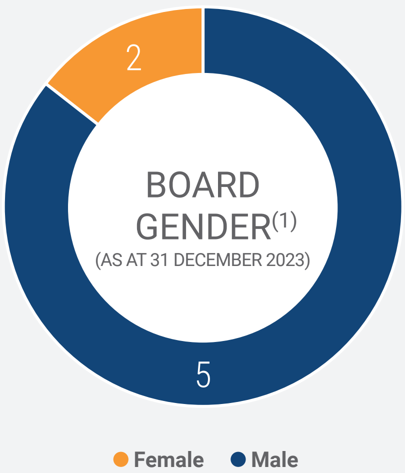
- Delivered record revenues and profits.
- Refocused Health & Safety initiatives on a country-by-country basis, with Heads of Health & Safety appointed in the UK (including the rest of the world) & US.
- Continued improvement in Health & Safety lost time incidents from 1.1 to 0.4.
- Successful integration of recent acquisitions.

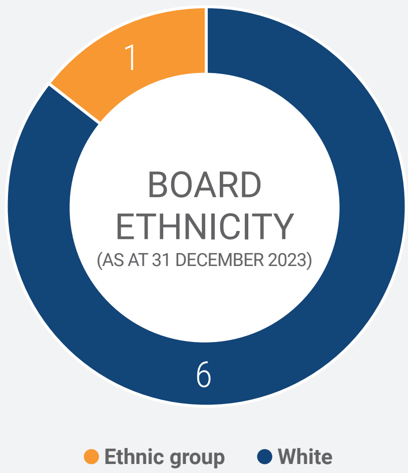
MAJOR BOARD DECISIONS

- Approved the Group's Preliminary and Interim Statements.
- Approved the Group's 2024 Budget.
- Approved the acquisitions of Enduro Composites, Korns Galvanizing and United Fiberglass of America.
- Approved an updated Group Strategy.

Board diversity (as at 31 December 2023)

The Board is committed to ensuring diversity of thought and to support the Group's future performance.





Meeting Attendance

During 2023, the Board meet on 10 occasions, the Audit Committee on five occasions, the Nomination Committee on three occasions and the Remuneration Committee on six occasions.

	Board	Audit Committee	Nominations Committee	Remuneration Committee
Alan Giddins	10/10	5/5	3/3	6/6
Hannah Nichols	10/10	5/5	3/3	6/6
Tony Quinlan	10/10	5/5	3/3	6/6
Annette Kelleher*	4/5	2/2	–	3/3
Mark Reckitt	10/10	5/5	3/3	6/6
Pete Raby	10/10	5/5	3/3	6/6
Leigh-Ann Russell	10/10	5/5	3/3	6/6
Farrokh Batliwala	10/10	5/5	3/3	6/6

* Annette Kelleher stood down from the Board on 25 May 2023.

[1] In January 2024 the Group appointed two new directors to the Board: Carol Chesney, Non-executive Director, and Hooman Caman Javvi, Chief Operating Officer. Mark Reckitt, Non-executive Director, will be retiring from the Board at the conclusion of the AGM in May 2024. Following these changes, the composition of the Board will be 62% male and 38% female.

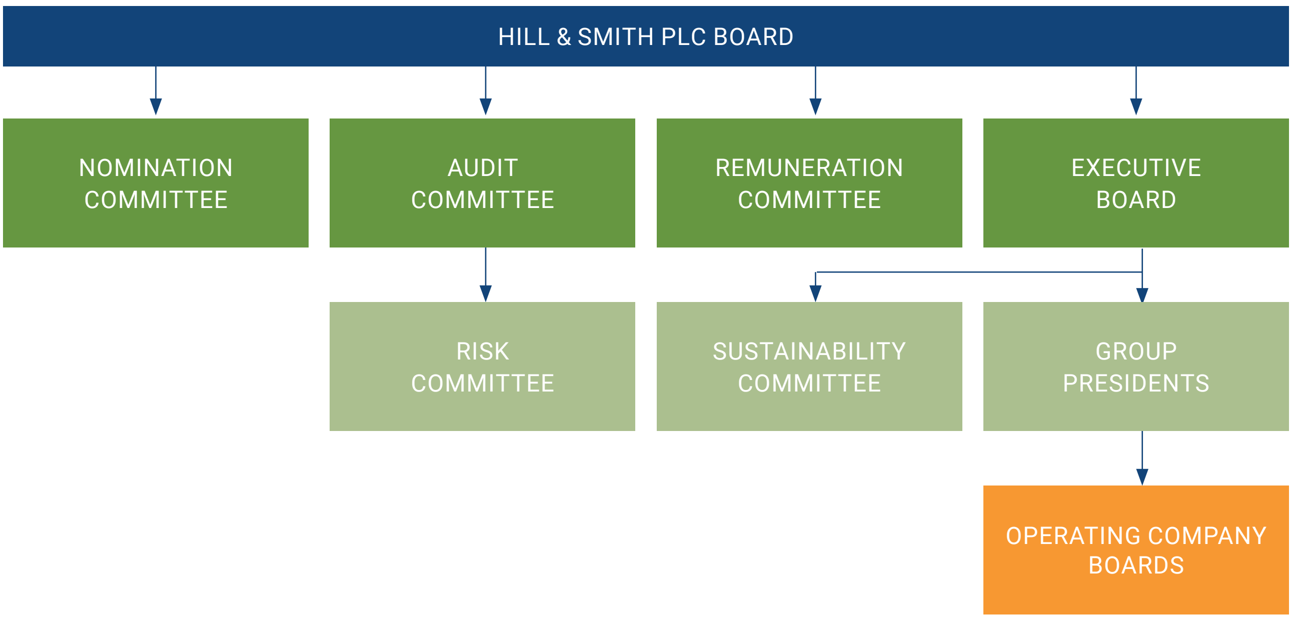
Board skills matrix (as at 31 December 2023)

The Directors bring a broad range of experience and skills to support the Group's growth strategy.

Numbers represent Board members with appropriate experience

Our Governance framework

This consists of our Board and its Committees, supplemented with additional managerial layers through which we interact with our operating company boards.



> *"The Board provides leadership by setting the company's purpose, strategy and values, overseeing the execution of the strategy by management."*
>
> **Alan Giddins**
> Executive Chair

DEAR STAKEHOLDER

On behalf of the Board, I am pleased to present Hill & Smith PLC's Governance Report for the year ended 31 December 2023. The Board is responsible for the effective leadership of the Group and for promoting its long-term sustainable success, generating value for shareholders, whilst recognising the importance and value to its other stakeholders.

The Board provides leadership by setting the company's purpose, strategy and values, overseeing the execution of the strategy by management and monitoring the alignment of the company's purpose and values with our day-to-day activities. The Board ensures there are appropriate frameworks in place to manage risk, and monitors the Company's financial and operational performance against its objectives.

The Board has a leadership role in ensuring that the highest standards of governance are applied in our businesses and this report explains how the Board has discharged its responsibilities during 2023 and set out its compliance with the UK Corporate Governance Code 2018.

Basis of Report

We have used the UK Corporate Governance Code 2018 (the 'Code') to assess our governance arrangements during 2023. Hill & Smith is a premium listed issuer on the London Stock Exchange and has assessed its application of the Code under the headings of:

- Board leadership and company purpose;
- Division of responsibilities;
- Composition, succession & evaluation;
- Audit, risk & internal control; and
- Remuneration.

The full Governance Report can be found on pages 74 to 83.

Compliance with the UK Corporate Governance Code

The Board confirms that Hill & Smith PLC complied with the requirements of the Code throughout 2023, except in relation to the requirement that the roles of Chair and Chief Executive should not be exercised by the same individual. Since July 2022, these roles were performed by myself, in the capacity of Interim Executive Chair following the departure of Paul Simmons. In May 2023, the Board asked me to stay on in this role for another

12 to 18 months while the search for a permanent CEO continues, which has been widened to consider internal candidates.

Board dynamics

Successful companies have high-performing Boards, and Board dynamics play a central role in setting an appropriate culture and tone. Key to this is an open and constructive relationship with the executive team.

The Board understands that shareholders expect the Board to keep under close review the long-term direction and strategy of the Company; setting the values and standards within the business; reviewing subsidiary company management performance; resources; health and safety; risk management; and internal controls. As part of this process, each year the Board undertakes a detailed review of the Group's medium and longer term strategy.

At 31 December 2023, the Board comprised five Non-executive Directors, myself as Executive Chair, and one Executive Director. More information on the Board's effectiveness can be found in the Governance Report on page 80.

In December, we also announced the appointment of Carol Chesney as Non-executive Director, effective 1 January 2024. Carol is a member of the Nomination, Audit and Remuneration Committees of the Board and will Chair the Audit Committee from the 2024 AGM, when Mark Reckitt will step down from the Board after eight years of service.

In January 2024, we announced the appointment of Hooman Caman Javvi as Chief Operating Officer and Board Member.

Board committees

Throughout the year, the Board was supported by an Audit Committee, a Nomination Committee and a Remuneration Committee. Outside of the formal Board structure, a Sustainability Committee, Risk Committee and Executive Board all provided input into the Board decision-making framework.

Board activities

Due to our devolved structure, the Board places great value on ensuring that it keeps its knowledge of our activities and end markets relevant. During 2023, our Non-executive Directors visited a number of our sites outside of formal Board meetings to meet with local management teams, which included site tours and speaking to our employees.

I will be encouraging my Board colleagues to continue to take the opportunity to arrange further informal visits to our operations wherever possible. As a Board, we will also be visiting all of our key US businesses as part of our 2024 strategy review.

We have made good progress with M&A during 2023, including the acquisitions of Enduro Composites, Korns Galvanizing and United Fiberglass. Our 100-day integration plan ensures that our newly acquired businesses have a consistent on-boarding experience into the Group and that our governance is also applied in a consistent way. Since the year end, we have also completed the acquisitions of Capital Steel and FM Stainless, both in the US.

In terms of active portfolio management, we completed the disposal of the final part of our loss-making Swedish roads business and undertook a selective disposal of the trade and assets of Berry Systems, which was a loss making business operating in the car parking solutions market.

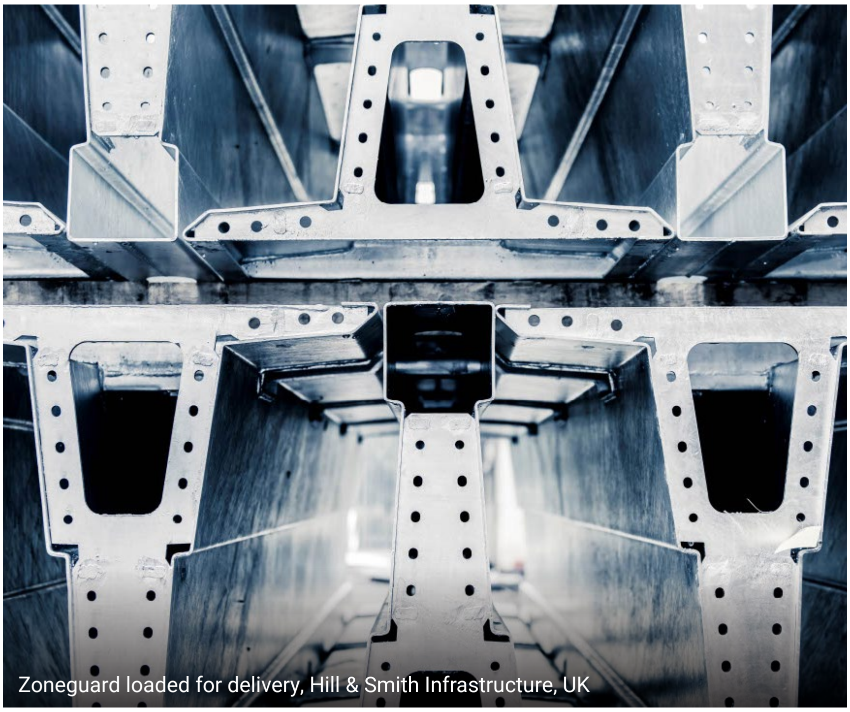
Health and safety continues to be a priority focus for the Board with a formal Health & Safety update provided at each Board meeting. During 2023 we appointed a Head of Health & Safety in the US and in the UK (including the rest of the world) and have agreed a clear road map of actions for 2024.

Sustainability continues to be of significant importance to our stakeholders and I have been pleased with the progress we have made. The Board received a number of sustainability updates from our Group Head of Sustainability during the year and you can read more about our sustainability progress on pages 36 to 55.

Looking ahead

Good governance is not optional and is an essential component of an effective Board. Health & Safety will remain a priority for the Board and we will continue to challenge management to ensure we have a safe working environment for all our employees. During 2024 the Board will also be focussed on succession planning, people development and training.

Alan Giddins
Executive Chair
11 March 2024


Zoneguard loaded for delivery, Hill & Smith Infrastructure, UK

GOVERNANCE REPORT

Hill & Smith PLC is a company with a premium listing on the London Stock Exchange. During 2023, the Company fully complied with the provisions of the UK Corporate Governance Code 2018, with the exception of the requirement that the roles of Chair and Chief Executive should not be performed by the same person. Alan Giddins was appointed Executive Chair in July 2022 while a search for a permanent Chief Executive was undertaken, and this arrangement is expected to continue until not later than December 2024. More detail on this arrangement is provided below.

ABOUT THE BOARD AND COMPANY

The Board sets the culture and values within which our businesses operate and is collectively responsible for the long-term success of the Company. Hill & Smith PLC (the 'Group') comprises the holding company and its principal operating companies, listed on pages 201 to 202. The Group's businesses are directly supervised by local operating boards. There are clear lines of delegated authority and businesses are given a high degree of autonomy to promote their activities in an entrepreneurial fashion. The Managing Directors of our businesses report to the Group through a Group President operating model. The Group Presidents are members of the Executive Board, alongside the Chief Financial Officer, the Group Corporate Development Director, Group Company Secretary and the Executive Chair.

Details of the Group's business model can be found on pages 16 to 17.

The Executive Chair and Chief Financial Officer receive regular reports on the performance of the operating companies, and the Group Presidents are responsible for ensuring a consistent application of governance, operational procedures and Group policies and practices.

Strategy

- Group strategy and operating plans
- Business development including acquisitions and divestments
- Major capital investments and divestitures

Internal Control

- Risk management; financial reporting and audit
- Financing, treasury and taxation
- Pension benefits and liabilities
- Compliance with laws and regulations
- Cyber security

Environmental, Social and Governance

- Corporate Governance
- Ethical standards
- Health & Safety
- Environmental Matters
- Succession Planning
- Compliance with the Company's Code of Business Conduct

Harrisburg Airport transportation facility, V&S Galvanizing, US

BOARD LEADERSHIP AND COMPANY PURPOSE

Summary

The Company has a clear purpose, which is embedded in the Board's thinking. We are a leading provider of sustainable infrastructure products and services, and this purpose informs our M&A, Sustainability and health and safety activities.

2023 Key Points

- Our Company purpose evolved in 2023 to reflect our commitment and approach to being a leading provider of sustainable infrastructure products and services.
- Board members continued to meet with our local operating companies on site visits to enhance their understanding of local company cultures.
- Our operating company Managing Directors and other senior executives regularly present at Board meetings

One of the Board's principal roles is to provide strategic leadership to the Group. Our company purpose is to be a "leading provider of sustainable infrastructure products and services" and this is woven into the Board's thinking, when assessing the execution of strategy by management, through consideration of possible acquisitions, our approach to sustainability, or through our review of capital allocation.

Board framework

The Board operates within a framework of Board meetings, discussions and site visits. The Board is directly supported by three committees: Audit; Nomination; and Remuneration. Membership of these committees is set out on pages 88, 84 and 96.

The scope of Board decisions

The Board manages the Group with reference to a formal schedule of matters reserved for the Board, which is applied across three key pillars: Strategy, Internal Control, and Sustainability.

Our Section 172 Statement

All Board members are aware of their obligations under s.172 of the Companies Act 2006 and their decisions and considerations that have s.172 implications are accurately reflected in Board minutes. The Board's 2023 s.172 Statement can be found on page 78 of this report.

Where other businesses within the Group are required to make a s.172 Statement, these reports can be found within the Annual Report and Accounts for those entities. Directors of these operating companies have received additional support from the Group to ensure that their decisions are fully recorded in Board minutes.

Engagement with shareholders

The Board manages the Group on behalf of its shareholders, and it undertakes this responsibility in such a way as to maximise shareholder value over the long term and to advance the interests of all of the Group's stakeholders. In this respect, during the year, the Executive Chair and Chief Financial Officer met with institutional shareholder representatives in the UK, Europe and USA, including at one of our principal sites in the West Midlands. Feedback from these meetings is included within the materials shared with the Board. The Board also receives reports from the Company's broker and financial public relations agency on feedback from institutional shareholders following the Group's interim and full year results announcements.

Feedback and dialogue

All Board Directors are available to meet with shareholders to discuss matters and can be contacted through the Company Secretary. The Executive Chair and Tony Quinlan, Senior Independent Director, are available to meet with shareholders concerning corporate governance issues, if so required. No concerns regarding the running of the company or any proposed action were received or recorded from shareholders in the year under review or to the date of this report.

The Company Secretary also engages with shareholders and the investor community as and when required. Copies of all trading updates and Interim and Annual Reports are posted on the Company's website, together with details of key financial and shareholder information, governance statements, Group policies and corporate and organisational structure.

Hill & Smith PLC Annual General Meeting ('AGM')

The Hill & Smith PLC 2024 AGM will be held at Cranmore Park Conference, Event & Exhibition Centre, Cranmore Avenue, Shirley, West Midlands, B90 4LF at 11am on Thursday 23 May 2024.

2024 is the bicentennial year of Hill & Smith and we would welcome the attendance of shareholders at the meeting, where you will be able to speak to the Directors and find out more about the Company's performance in the first part of 2024. The details of the 2024 AGM can be found on page 116 and in the Notice of Meeting.

The Company's Annual Report and Notice of Meeting are published as soon as the time required for their printing allows, in order to provide the maximum time in advance of the AGM for feedback to be received from shareholders. Proxy votes of shareholders for the AGM are tabulated independently by the Company's registrars, provided at the AGM and published on the website shortly after the conclusion of that meeting.

Composite bridge in Alberta, a remote area of Canada, Creative Composites Group, US

DIVISION OF RESPONSIBILITIES

Summary

There is a clear division of responsibilities between the Chair and the Chief Executive which is set out in writing and available at www.hsgroup.com. Measures that were implemented following the appointment of Alan Giddins as Executive Chair have continued.

2023 Key Points

- Reviewed the Terms of Reference for our Committees, and the Matters Reserved for the Board.
- Our delegation of authority matrix has been reviewed and improved for clarity and consistency.
- Governance safeguards introduced in 2022 following Alan Giddins being appointed Executive Chair, have continued.

Role of Executive Chair

Alan Giddins was appointed Interim Executive Chair in July 2022 while a search for a permanent Chief Executive was undertaken. In May 2023, the Board asked Alan to continue in this role for 12 to 18 months while a further search was undertaken, which was widened to include both internal and external candidates.

The Board implemented a number of governance safeguards arising from this dual role, including a formal session at the end of every Board meeting for Non-executive Directors to speak without the Executive Chair present; the Senior Independent Director reviewing all M&A papers independently before submission to the Board, and a review of the Chair's role, by the Senior Independent Director.

Role of Non-executive Directors

The Non-executive Directors have no managerial responsibility within the Group, are ineligible for any share-based remuneration and are independent of the Company. The Non-executive Directors provide challenge, strategic guidance and specialist support to the Executive Directors.

All Non-executive Directors were considered to have sufficient time to meet their board responsibilities. There are clear divisions of responsibilities between the leadership of the Board and the executive leadership of the Company's business, and these have been approved by the Board.

Executive Board

The Executive Board takes its authority from the Chief Executive (or their substitute). It is not a committee of the PLC Board, nor a decision-making body, but provides a valuable forum for senior executives to discuss matters of importance.

The Executive Board is the senior management body for the Group and monitors and manages the performance of the business, reviews progress against the strategic objectives and formulates budgets and proposals on strategy and resource allocation, receiving regular reports on human resources, health and safety, internal audit, compliance, legal, investor relations and corporate affairs.

BOARD COMMITTEES

PLC BOARD

Nomination Committee	Audit Committee	Remuneration Committee
At 31 December, comprised the Senior Independent Director (who chairs the Committee) and the remaining Non-executive Directors. While the Executive Chair is invited to attend meetings, that individual is not a formal member of the Committee. The Committee leads the process of Board appointments and supports the Board in succession planning for the Board and senior management, making recommendations to the Board. The terms of reference of the Nomination Committee can be found at www.hsgroup.com and more information on the work of the Committee can be found in the Committee Chair's report on pages 84 to 85.	At 31 December, comprised the Chair of the Committee and four Non-executive Directors. While the Executive Chair is invited to attend meetings, that individual is not a formal member of the Audit Committee. Has responsibility for planning and reviewing the Company's audit processes, interim and full year results, internal controls and risk management systems. (See pages 56 to 58 for more information.) The Audit Committee is additionally supported by the Risk Committee, comprising employees from across the Group and representatives from some of our operating companies, including those in the USA. The terms of reference of the Audit Committee can be found at www.hsgroup.com and more information on the work of the Committee can be found in the Committee Chair's Report on pages 86 to 93.	At 31 December, comprised the Chair of the Committee and four Non-executive Directors. While the Executive Chair is invited to attend meetings, that individual is not a formal member of the Remuneration Committee. Has responsibility for the creation, approval and implementation of the Company's Remuneration Policy in respect of Executive Directors, Company Secretary and senior executives. The terms of reference of the Remuneration Committee can be found at www.hsgroup.com and more information on the work of the Committee can be found in the Committee Chair's report at pages 94 to 106.

In January 2024, Hooman Caman Javvi was appointed as Chief Operating Officer and Executive Director and Carol Chesney was appointed to the Board and all three committees.

Frequency of meetings

During 2023, the Board met on 10 occasions, the Audit Committee on five occasions, the Nomination Committee met three times and the Remuneration Committee met on six occasions.

Board visits to operations

Site visits are an important, regular feature of the Board calendar. They provide an excellent opportunity for the Board to engage with a wide group of employees and they also facilitate the Non-executive Directors' understanding of our businesses.

Board decision making (S.172)

The Board's interaction with key stakeholders is set out on pages 32 to 35. The principal decisions taken by the Board during the year, along with how the Directors considered stakeholder interests when discharging their duties under section 172 of the Companies Act, is set out below.

Principal decision and stakeholders considered	Board's decision making process	Longer term considerations
Dividend Shareholders, potential investors and lenders	Consideration of the financial resources required to execute our strategy, including organic investment and acquisition opportunities; the Group's medium-term rate of organic constant currency growth; and compliance with borrowing covenants.	Ensuring that the Company's progressive dividend policy is consistent with the Company's financial performance without detriment to the strength of the balance sheet and future sustainability.
Capital allocation Shareholders, potential investors, lenders, employees, customers, operating companies.	The Group's budget, approved by the Board, sets the allocation of capital to deliver our growth strategy through product innovation, capital expenditure, acquisitions and disposals and sustainability.	Balancing investment for future growth and improving the quality of the Group against the longer term interests of operating companies and their employees and shareholders.
Acquisitions Shareholders, potential investors, lenders, operating companies, customers and future employees.	The Board receives detailed proposals from the Corporate Development Director on the long-term implications of disposals and acquisitions and their effect on the Group's stakeholders. The Board balances the financial commitment required against the risks and anticipated returns, together with the management and control requirements, while considering the strategic fit with our purpose, and the opportunities for geographic or market expansion.	The Group's portfolio management criteria for both existing operating companies and potential acquisition targets requires a structured discipline. We consider targeted acquisitions, which are aligned to our purpose, and which are in market niches with long-term growth drivers ensuring that we can continue to grow profits sustainably for the benefit of all our stakeholders.
Greenhouse Gas Emissions Targets Shareholders, lenders, employees, operating companies, customers, suppliers, governments, society.	The Board recognises the importance of a low carbon economy and the role that the Group has to play in achieving this and is mindful that this is a high priority for multiple stakeholder groups. Accordingly, the Board focused on areas where the Group could make the most impact and the Group Head of Sustainability has focused on developing approved science-based targets and developing local emissions reduction plans for all businesses.	The Board recognises the effect that climate change is having on the natural and business world and, in keeping with regulation, committed to TCFD scenario analysis. This analysis presents both risks and strategic opportunities for the Group. The Board also considered the value to society as a whole of the Group's operations and products, recognising that it must act to minimise the negative impact from its operations, to ensure a sustainable future for all, whilst being mindful of the effect on the Group's cost base.

Board conflicts

The Board has agreed an approach and adopted guidelines for dealing with conflicts. The Board confirms that it was not aware of any situations that conflicted with the interests of the Company, other than those that may arise from Directors' other appointments, as disclosed in their biographies on pages 68 to 69.

In accordance with the Articles, the Board authorised the Company Secretary to receive notifications of conflicts of interest on behalf of the Board and to make recommendations as to whether the relevant matters should be authorised by the Board. The Company has complied with these procedures.

Support available to the Board

The Board is supported by the Group Company Secretary, who, under the direction of the Chair, ensures that communication and information flows between Board members. The Group Company Secretary is also responsible for assisting the Chair in all matters relating to corporate governance, including the Board evaluation process.

At the invitation of the Board, other members of the management team attend Board meetings to present annual budgets, updates and proposals relating to their areas of responsibility and reporting on regulatory compliance, risk management and internal controls. The Directors and management of the Group businesses are also supported by the central function, which includes compliance, risk management, internal audit, treasury, taxation, acquisitions and corporate development.

All Directors have access to the advice and services of the Company Secretary and are able to take independent professional advice, when necessary, at the Company's expense, although no Director felt it necessary to seek such advice in the year ended 31 December 2023.

Summary

We placed significant emphasis on ensuring that our Board and management teams are focused on the appointment and retention of high-calibre individuals from diverse backgrounds.

2023 Key Points

- We reviewed our governance framework, including our delegation of authority, committee terms of reference and matters reserved for the Board
- We undertook an external Board effectiveness evaluation
- We continued to review our succession planning activities, including the search for a new Chief Executive

COMPOSITION, SUCCESSION AND EVALUATION

At 31 December 2023, the Board comprised the Executive Chair, the Chief Financial Officer and five Non-Executive Directors. The individual biographies of the Board members can be found on pages 68 to 69. At 31 December 2023, 71% of the Board comprised independent Non-executive Directors.

In compliance with the Code and the Company's Articles of Association, Directors retire at every AGM and, if deemed appropriate by the Board, Directors are proposed for re-appointment by shareholders at the forthcoming AGM. Following an externally facilitated evaluation of the performance of the Board, see page 80 for more details, and on the recommendation of the Nomination Committee, the Board is proposing that all Directors on the Board on 31 December 2023 should stand for election/re-election at the Group's forthcoming Annual General Meeting ('AGM'), with the exception of Mark Reckitt, who will be stepping down from the Board at the meeting.

Board profile

Our Directors come from a broad range of backgrounds across industry, investment management and professional services. Their diverse and balanced mix of skills and business experience (see page 71), are key elements to the effective functioning of the Board and its Committees, ensuring matters are fully and effectively debated and challenged and no individual or group dominates the Board's decision-making processes.

Taking into account the provisions of the Code, the Board has determined that, during the year under review, none of the Non-executive Directors had any relationship or circumstance which would affect their performance and the Board considers all of the Non-executive Directors to be independent in character and judgement. Conflicts of interest are dealt with by the Board as they arise.

Gender Identity (As at 31 December 2023)

	Number of Board Members	Percentage of the Board[(1)]	Number of Senior Positions on the Board (Executive Chair, CFO and SID)	Number in Executive Management	Percentage of Executive Management
Men	5	71%	2	3	60%
Women	2	29%	1	2	40%
Not Specified	–	–	–	–	–

Ethnic Identity (As at 31 December 2023)

	Number of Board Members	Percentage of the Board	Number of Senior Positions on the Board (Executive Chair, CFO and SID)	Number in Executive Management	Percentage of Executive Management
White British or other White	6	86%	3	4	80%
Mixed/Multiple Ethnic Group	–	–	–	–	–
Asian / Asian British	1	14%	–	–	–
Black/ African/ Caribbean/Black British	–	–	–	–	–
Other Ethnic Group	–	–	–	1	20%
Not Specified	–	–	–	–	–

1 In January 2024 the Group appointed two new directors to the Board: Carol Chesney, Non-executive Director, and Hooman Caman Javvi, Chief Operating Officer. Mark Reckitt, Non-executive Director, will be retiring from the Board at the conclusion of the AGM in May 2024. Following these changes, the composition of the Board will be 62% male and 38% female.

Succession planning

The Nomination Committee has responsibility for evaluating medium and long term Board and Executive Committee succession planning, and for making recommendations to the Board.

A formal appraisal process is undertaken for all operating company Managing Directors, and the results are presented to the Board.

At a local level, each operating company is required to have its own succession plan in place, and these are reviewed on a regular basis by each operating Board and fed through to the Executive Board via the Group Presidents.

Group diversity

The Board is committed to ensuring that recruitment into the Group is undertaken based on merit, regardless of age, disability, marital or civil partner status, pregnancy and maternity, race, colour, nationality, ethnic or national origin, religion or belief, gender or sexual orientation. The Board places significant emphasis on ensuring that greater diversity is brought into the workforce, to enhance the quality of decision through differing views and backgrounds.

As part of this commitment, the Group includes in the annual report, details of the numbers of men and women at board level; the number of men and women who are 'senior leaders' (i.e. those employees with authority and responsibility for planning, directing and controlling the activities of the central function or the operating companies); and the number of men and women across the organisation as a whole. See page 55 for more details.

Board diversity

On 31 December 2023, the Board membership comprised 29% female and 71% male, and was 14% ethnically diverse. With the appointments of Carol Chesney and Hooman Caman Javvi in January 2024, the Board at the date of this report comprised 33% female and 67% male.

The Board is committed to ensuring that it has the right balance of skills, views and experience. The Board is cognisant of the Hampton Alexander Review and the Parker Review regarding gender and ethnic diversity within the Board. The Board has met the FRC targets of having a senior position on its board of directors being held by a woman, and at least one individual is from a minority ethnic background. For more details see the table on page 79. Following the AGM, and Mark Reckitt's retirement from the Board, women will represent 38% of the Group's Board which the Directors believe is in line with the FRC's stipulation of 40% representation.

Director training and development

All Directors are provided with the opportunity and are encouraged to attend regular training to ensure they are kept up to date on relevant legal developments or changes, best practice and changes to commercial and financial risks.

Typical training experiences for Directors include attendance at seminars, forums, conferences and working groups, as well as the provision of information from the Company Secretary.

Evaluating the Board's performance

This year, the Board performed an external evaluation in compliance with the UK Corporate Governance Code. The evaluation was conducted by Gould Consulting, who are independent from the Company. The evaluation included a review of Board and Committee papers, attendance at Board and Committee meetings as well as interviewing all Board members and key senior management independently. The results of the evaluation were positive and included the following recommendations:

- Recognition of the importance of carefully managing the induction and onboarding of a new Chief Executive
- Confirmation that Board members were satisfied that the role of the Executive Chair worked well and that appropriate governance safeguards were in place and working
- The need to ensure increased focus on talent and development, as well as succession planning across the operating companies which was formally reviewed by the Board each quarter
- Re-evaluation of commercial and operational risk metrics

Eamonn and Sue, V&S Owego plant, V&S Galvanizing, US

AUDIT, RISK AND INTERNAL CONTROL

Summary

We have a strong framework of internal controls and the work of our audit team gives confidence to the Board that Hill & Smith PLC is a well-run company.

2023 Key Points

- Rolled out a standardised Business Continuity Planning process to our operating companies
- Evaluated our risk management tools and framework, to ensure we are getting the most value from our reporting
- Continued our strengthening of our cyber resilience

Internal audit

Our Internal Audit team conducted audits across the breadth of our business, including a review of compliance with the Group Financial Controls Manual and Group IT Controls Manual. The Audit Committee additionally received updates on actions arising from prior audits.

The Audit Committee also reviewed and approved the annual audit plans for 2024, as prepared by the Head of Risk and Internal Audit.

Risk management

The Board has overall responsibility for ensuring that there is a process to identify, evaluate and manage any significant risks that may affect the achievement of the Group's strategic objectives and for internal control, and reviewing the effectiveness of these processes.

The risk management and internal control system is designed to manage, rather than eliminate, the risk of failing to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss. The assessment and control of risk are considered by the Board to be fundamental to achieving the Group's corporate objectives. An ongoing process for identifying, evaluating and managing the significant risks faced by the Group and assessing the effectiveness of related controls has been established by the Board to ensure an acceptable risk/reward profile across the Group. The review of the effectiveness of risk management and internal control is covered through Internal Audit's quarterly reports to the Audit Committee (covering controls compliance, the status of audit action remediation and audits completed in the period) and a six monthly report on operating company risk management and the status of the Group wide Principal Risks. This routinely identifies areas for improvement. The Board has neither identified nor been advised of any failings or weaknesses during the year which it has determined to be material or significant.

This process has been in place throughout 2023, and up to the date of approving the Annual Report and Financial Statements. The key elements of this process are:

- a comprehensive system of monthly reporting from key executives, identifying performance against budgets and forecasts;
- analysis of variances, major business issues, key performance indicators and regular forecasting;
- well-defined policies governing appraisal and approval of capital expenditure and treasury operations;
- six-monthly submissions from all operating companies detailing the risks they have identified and what controls and assurances they have in place to mitigate these risks;
- the roll-out of Business Continuity Planning across our operating companies to ensure their preparedness against unexpected events;
- regular meetings to identify and discuss key risks and mitigations with a broad sample of the senior management team and the Executive Board members;
- a review of the corporate risk register in terms of completeness and accuracy with the senior management team and the executive directors;
- the use of a Risk Committee to monitor, validate and report on the Group-wide risk assessment process;
- Audit Committee discussion of the corporate risk register and the risk management system with subsequent reports to the Board; and
- the embedding of a senior management top-down approach to complement the work of the Risk Committee.

More information on the Group's key risks and uncertainties is shown on pages 60 to 65.

Internal controls

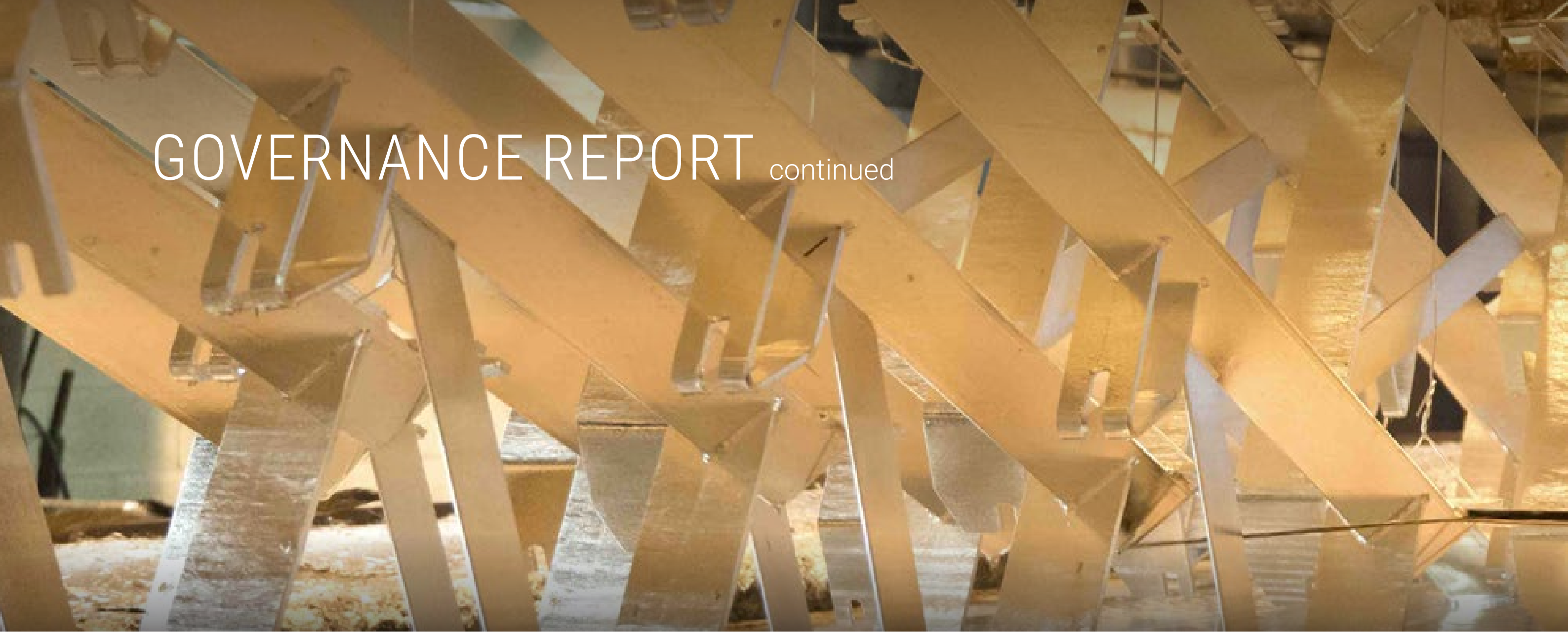
The Board maintains overall responsibility for embedding key controls within the Group. Together with the Audit Committee, the Board reviewed the effectiveness of the Group's risk management and internal control systems in accordance with the UK Governance Code for the year ended 31 December 2023, and up to the date of approving the Annual Report and Financial Statements.

Additionally, the Board:

- ensured maintenance of a sound system of internal control and risk management;
- reviewed the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Board continues to ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- considered and approved the half-yearly report, any other interim management statements and any preliminary announcement of results;
- declared the interim dividend and recommended the final dividend;
- approved any significant changes in accounting policies or practices; and
- approved treasury policies, including foreign currency exposure and the use of financial derivatives.

Going concern

The Board has considered the Group's status as a going concern and the Directors have assessed the future funding requirements of the Group and the Company and compared them to the level of committed available borrowing facilities. The assessment included a review of both divisional and Group financial forecasts, financial instruments and hedging arrangements, for the 18 months from the balance sheet date. Major assumptions have been compared to external reference points, such as infrastructure spend forecasts across our chosen market sectors, government spending plans on road and other infrastructure, zinc and steel prices, and economic growth forecasts. This assessment showed that the Group will have sufficient headroom in the foreseeable future and the likelihood of breaching borrowing covenants in this period is considered to be remote. Having undertaken this work, the Directors are of the opinion that the Group has adequate committed resources to fund its operations for the foreseeable future and so determine that it is appropriate for the Financial Statements to be prepared on a going concern basis.



Longer term outlook

The Directors have considered the prospects of the Group over the four-year period immediately following the 2023 financial year. This longer-term assessment process supports the Board's statements on both viability, as set out below, and going concern, as set out on page 81. A four-year period was determined as the most appropriate as it is the remaining period covered by the Group's annual strategic planning process, which sets the long term direction of the Group and is reviewed at least annually by the Directors. The Board concluded that a period of longer than four years would not be meaningful for the purpose of concluding on longer-term viability.

The strategic planning process considered metrics which enable the assessment of the Group's key performance indicators, see pages 20 to 21, and in addition net debt, liquidity and financing requirements. In conducting the review of the Group's prospects, the Directors assessed the four-year plan alongside the Group's current financial position, the Group's strategy and the principal risks facing the Group (all of which are detailed in the Strategic Report on pages 60 to 65). This robust assessment considered the impact of the principal risks on the business model and on future performance, liquidity and solvency. Stress tests were applied to the Group's four-year plan, whereby factors associated with the economic risks faced by the Group were applied to the plan in a number of diverging scenarios. The developed scenarios were designed to be plausible, yet severe:

- a decrease in the UK Government's Road infrastructure spend
- a fall in galvanizing volumes across all geographies
- a material reduction in revenues in the Group's US composites and utilities businesses

In making this viability statement, the Directors considered the mitigating actions that would be taken by the Group in the event that the principal risks of the Company become realised. The Directors also took into consideration the Group's financial position at 31 December 2023 with a borrowing facility headroom of £247.2m and a history of strong cash generation, with cash conversion averaging in excess of 80% over the last ten years. The Directors noted that following the one-year extension agreed with lenders during the year, the Company's core revolving credit facility matures in November 2027, shortly before the end of the four-year assessment period. However, based on past experience and normal market practice, the Directors have a reasonable expectation that this facility will be renewed or renegotiated before that date. Taking this information into account, the Directors have assessed the viability of the Group and, based on the procedures outlined above in addition to activities undertaken by the Board in its normal course of business, confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2027.

Fair, balanced and understandable financial reporting

The Board received a recommendation from the Audit Committee that the Group's position and prospects had been assessed and reported on in the Annual Report in a way that was fair, balanced and understandable. Prior to making the recommendation to the Board, the Committee reviewed a report received from the management responsible for the preparation of the Annual Report detailing how the report had been compiled. The Committee considered the information laid out in the Annual Report and concluded:

- that the process by which the allocation of responsibility for the preparation of certain sections of the Annual Report to individuals in the central team and their review by external advisors was fit for purpose;
- that the information given represented the whole story of the business' performance in 2023 and did not mislead the reader by excluding bad news, that the disclosures of the Group's business segments and key messages are consistently delivered throughout the document, KPIs are clear and appropriate and linked to both the Group's strategy and remuneration incentives;
- that it was a suitable document to inform both existing and prospective shareholders about the financial and non-financial performance of the business, with the messages delivered in the Directors' Report, including the Operating and Financial Review and the Financial Statements being balanced and consistent and that the report set out a detailed and fair representation of the Group's activities and performance and that certain matters have been identified and discussed between management, the Audit Committee and EY in order to correctly disclose the performance, controls and prospects of the Group; and
- that the document allowed shareholders to follow the whole story of the Group's financial and non-financial performance in 2023, giving them a clear and understandable picture of the Group's business model, key drivers and commercial operations.

The respective responsibilities of the directors and External Auditor in connection with the Financial Statements are explained in the Statement of Directors' Responsibilities on page 117 and the Independent Auditor's Report on pages 118 to 125.

REMUNERATION

Summary

A remuneration structure that is designed to attract and retain talent, to motivate our leaders and reward their success.

2023 Key Points

- Implemented Restricted Stock Units to a wider population than previous share-based awards, used as a tool to motivate and retain key employees.
- Approved changes to management bonus metrics, in to order better align with the Group's key performance metrics.

About our Remuneration Policy

The current Director's Remuneration Policy was last approved by shareholders at the 2023 AGM and will be next presented to shareholders for approval in 2026. The purpose of this policy is to be able to recruit and retain Executive Directors of sufficient calibre to develop and deliver our business strategy and create shareholder value; to ensure remuneration arrangements are in the best interests of the Group, in line with the wider workforce and do not pay more than is appropriate; and does not reward failure. More information on the Group's current Remuneration Policy is available in the Policy Table on pages 107 to 111 of the Group's Remuneration Report.

The Group's Remuneration Report on pages 96 to 106 sets out the remuneration of the Executive Directors for 2023.

Our Executive Director salary package

Our Executive Director pay arrangements are made up of three fundamental elements as set out in the graphic below comprising salary, a short-term cash bonus, and a longer three year incentive arrangement. This balance ensures the package adequately reflects the need for long term decisions benefiting the business and provides a level of short term remuneration to retain high calibre individuals within the business.

Pay increases

The Remuneration Committee is acutely aware of the pressures facing many employees. While each operating company sets their own pay policy, the Committee continues to be impressed with the thought and care our businesses have taken in supporting our employees. More information is available on page 103 of the Group's Remuneration Report.

EXECUTIVE PAY

SALARY

SHORT-TERM ANNUAL BONUS, INCLUDING A 50% DEFERRED BONUS

THREE-YEAR LONG-TERM INCENTIVE ARRANGEMENT

NOMINATION COMMITTEE REPORT

> *"The Committee is committed to ensuring that the Board, Executive Board and senior management team have a diverse mix of skills, experience, knowledge and background."*

Tony Quinlan
Committee Chair

DEAR STAKEHOLDER

It is my pleasure to make my report as Chair of the Nomination Committee. This report is intended to give an account of the Committee and its activity. The core responsibilities of the Committee are succession planning and appointments at Board level, oversight of appointments and succession planning to the Executive Board, and making recommendations to the Board on the composition of the Board's committees. The full terms of reference of the Committee can be found on the Company's website www.hsgroup.com.

Committee membership

On 25 May 2023, Alan Giddins stepped down as Chair of the Nomination Committee, whilst he fulfils the role of Executive Chair for the Company and I took over the Chair of this Committee. This both strengthened the independence of this area of Board governance whilst giving Alan more time to focus on running the business. In addition, Annette Kelleher stood down, in May 2023, after almost nine years on the Board of Hill & Smith PLC. With these changes, at the year end, the Committee comprised myself, as the Committee's Chair, and the Non-executive Directors Leigh-Ann Russell, Farrokh Batliwala, Pete Raby and Mark Reckitt. The Committee met three times in the financial period under review with all eligible members of the Committee being present on each occasion.

Non-executive Directors

Following an initial three-year term, the terms of Non-executive Directors are reviewed annually, in line with their annual retirement at the AGM. The letters of appointment for the Non-executive Directors are available for inspection at the Company's registered office and the AGM. All Non-executive Directors are independent, as was I on appointment.

Chief Executive appointment

The Committee continues to seek a new CEO and has met and assessed many candidates, initially supported by Spencer Stuart and more recently Heidrick & Struggles. However, the autonomous business model that is central to how the Group operates requires specific skillsets and leadership qualities, a combination

Installing temporary concrete barrier, Hill & Smith Infrastructure, UK

	Date of appointment	Length of service	Expected end date
Alan Giddins	3 October 2017	6 years 3 months	30 September 2026
Farrokh Batliwala	1 April 2022	1 year 9 months	31 March 2031
Leigh-Ann Russell	1 April 2021	2 years 9 months	31 March 2030
Mark Reckitt	1 June 2016	7 years 7 months	23 May 2024
Pete Raby	2 December 2019	4 years 1 month	30 November 2028
Tony Quinlan	2 December 2019	4 years 1 month	30 November 2028

which the Committee has not yet fully identified in potential candidates. Alan Giddins was appointed Interim Executive Chair in July 2022 and in May 2023, the Group announced that he had extended his tenure for an additional period of 12 to 18 months. This provides the Group with both continuity and stability, as it executes on its strategy at pace. I would like to thank Alan, on behalf on the Board, for the excellent work he has done in leading the business as Executive Chair. His level of professionalism, commitment and delivery has been exemplary. The search for a permanent CEO continues and has been widened to consider internal candidates.

Board composition and succession

During the year, the Committee has spent time evaluating medium and long term Board composition and succession and the skills and experience needed to deliver the Group's Strategic Plan. A key component of this is to maintain our focus on our gender diversity within the Board. To this end, on 1 January 2024, Carol Chesney was appointed to the Board. Carol is an experienced PLC Non-executive Director and Audit Committee Chair and has a very strong background in the international engineering sector, with more recent exposure to the high technology, energy and infrastructure sectors. She will take over the Audit Committee Chair, on Mark Reckitt's retirement after the Company's AGM in May 2024.

On 30 January 2024, we also appointed Hooman Caman Javvi to the Board as an Executive Director, as Chief Operating Officer. Prior to joining Hill & Smith in March 2022, he spent 11 years in senior management roles at ABB and Hitachi Energy. He brings with him strong operational and strategic management expertise, and this will enable him to make a significant impact as he takes on a wider responsibility for the Group's operations, talent development and medium term strategy.

Executive Board and succession

During the year the Committee undertook a review of the Executive Board and the skills required to ensure that the Group is able to deliver on its Strategic Plan. While there was appropriate succession in place for certain of these roles, the review highlighted the importance of ensuring there was sufficient bandwidth to deliver the Group's strategic plan and of developing the next generation of senior leaders within the business. This will continue to be a key focus for the Committee during 2024.

Diversity and inclusion

The Committee is committed to ensuring that the Board, Executive Board and senior management team have a diverse mix of skills, experience, knowledge and background. In considering diversity, gender plays an important role but the Board also takes into account social and ethnic background, alongside other cognitive and personal strengths. New appointments are made on merit and take into account what is required from a diversity and inclusion perspective, to ensure a balanced Board composition and considering the diverse perspective each candidate can bring.

At the date of this report, following the two appointments made in January 2024, the Board will comprise three female directors (33%) and six male directors (67%), with two Board directors from an ethnic minority background (22%). Post the AGM, the gender diversity mix is expected to be 38% female, 62% male.

Plans for the year ahead

The Committee's focus in 2024 will be to conclude the search for a Group CEO and to ensure the Board is organised to meet its listed company obligations. The Committee will also give particular emphasis in the current year towards ensuring appropriate development plans are in place for each member of the Executive Board and that appropriate consideration is being given to succession planning at the Managing Director level within our operating companies.

Tony Quinlan
Chair
11 March 2024

AUDIT COMMITTEE REPORT

“

Each operating company is responsible for ensuring that it has an effective set of internal controls and control environment, which places responsibility on its Managing Director and Finance Director.”

Mark Reckitt
Committee Chair

DEAR STAKEHOLDER

It is my pleasure to make my report as Chair of the Audit Committee. This report is intended to give an account of the Committee and its activity. The business model of Hill & Smith delegates substantial authority to the business units, which enables an entrepreneurial approach. Each operating company is responsible for ensuring that it has an effective set of internal controls and control environment, which places responsibility on its Managing Director and Finance Director. The Group Financial Controls Manual provides detailed guidance on the nature and frequency of the internal controls required at each operating company. This is supplemented by the Group IT Controls Manual, which sets out the minimum level of IT controls required at each operating company to ensure IT resilience and cyber security. IT infrastructure and related controls remains a key focus area for the Committee, resulting in the current investment plan in IT and cyber security.

The Ogdensburg-Prescott bridge rehabilitation, V&S Galvanizing, US

In December 2023, the Audit Committee approved an internal audit plan for 2024, which included an Inventory Management groupwide thematic review and work to define the Group's material operational, reporting and compliance controls ahead of the anticipated Corporate Governance changes, while continuing the primary work of monitoring our business units' compliance with our Group policies and controls.

The Risk Committee, as requested by the Audit Committee, has continued to build upon the risk assessment methodology, to build a clear picture of the risks being considered by the operating companies, the actions to mitigate these risks and to facilitate discussions on risk appetite. More information on the risk management process adopted by the Group can be found on pages 56 to 59.

Following Ernst & Young LLP's ('EY') audit of the Group's financial statements in relation to the year ended 31 December 2022, the Committee met EY's lead partner to assess improvements that should be implemented for this year's audit. In August 2023, we discussed and agreed the plan for their year end audit procedures and agreed the fee in October 2023. The audit of our 2023 financial statements is the fourth audit that EY have conducted, and the Committee remains satisfied with their levels of independence, objectivity and professional judgement and the oversight they give to our financial statements.

This Audit Committee Report explains how the Committee has discharged its responsibilities during 2023, and considers the specific topics of:

- primary areas of judgement considered by the Committee in relation to the 2023 financial statements;
- internal controls;
- risk assessment, management, and mitigation; and
- assessment of effectiveness of external audit.

I trust you will find this report a helpful insight into the activities undertaken on your behalf. I should be delighted to answer any questions you might have and hope to see you at our AGM on 23 May 2024.

Mark Reckitt
Chair
11 March 2024

Committee membership and purpose

During the year, and to the date of this report, the Audit Committee comprised:

Mark Reckitt;
Annette Kelleher (left 25 May 2023)
Pete Raby;
Tony Quinlan;
Leigh-Ann Russell;
Farrokh Batliwala; and
Carol Chesney (appointed 1 January 2024)

Attendees at each of the meetings included, by invitation, the Executive Chair; the Group Chief Financial Officer; the Group Financial Controller; the Group Head of Risk & Internal Audit; the external auditor, EY, and, where appropriate, other advisors. Time is also allowed for the Committee to speak with the external auditor and the Group Head of Risk & Internal Audit without the presence of the executive management.

The overall purpose of the Audit Committee is one of oversight and monitoring of the entire financial reporting and control process, to ensure the integrity of the Group's Financial Statements and assurance over them. The Committee fulfils this remit by undertaking the following roles and responsibilities:

- monitoring the integrity of the Financial Statements of the Company and reviewing significant financial reporting judgements contained in them
- reviewing areas of the financial statements that require particular judgement
- providing advice (where requested by the PLC Board) on whether the Annual Report, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for shareholders to assess the Company's financial position, performance, business model, and strategy
- reviewing the Company's internal financial controls, internal control, and risk management systems
- monitoring and reviewing the effectiveness of the Company's internal audit function and making recommendations to the PLC Board
- approving the Internal Audit Charter and annual audit plan
- reviewing outputs from the Group's risk management process, ensuring that operating companies are correctly identifying, articulating, and measuring their risks and mitigating controls
- making recommendations to the PLC Board about the appointment, re-appointment, and removal of the external auditor, and approving the remuneration, and terms of engagement of the external auditor
- reviewing and monitoring the external auditor's independence and objectivity
- reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements
- developing and implementing policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence
- reporting to the PLC Board on how it has discharged its responsibilities

Governance

Mark Reckitt, Committee Chair, is specifically identified as the Committee member having recent and relevant financial experience, thereby complying with provision 23 of the UK Corporate Governance Code 2018 ('the Code').

He is a qualified Chartered Accountant and has previously held the positions of Group Strategy Director at Smiths Group plc from February 2011 to April 2014 and Chief Strategy Officer at Cadbury plc from 2004 to 2010. He was Audit Committee Chairman and Senior Independent Director at Cranswick plc until retiring in July 2023.

As Chair of the Audit Committee, Mark Reckitt has maintained regular contact with the external audit partners at EY as well as the Group Head of Risk & Internal Audit outside Committee meetings and without the management of the business present. In these meetings, a wide range of matters are discussed, including specific issues encountered in their work across the Group as well as changes in financial reporting and governance landscape, the Company's readiness to accommodate these developments, and our approach to managing risk and assurance generally.

January 2023

- Goodwill and intangible asset impairment review

March 2023

- Key risks and judgements relating to the 2022 Financial Statements
- Report from External Auditors on the Financial Statements for the year ended 31 December 2022
- Financial Statements and Annual Report for year ended 31 December 2022, including the statements on Going Concern, Viability, and Fair, Balanced and Understandable
- Internal Audit update
- Group Risk and Principal Risks review
- Review of the 2022 TCFD disclosure

August 2023

- Key Issues and Judgements relating to the Interim Results
- External Audit planning report
- External Auditor quality and independence assessment
- Interim Results for the six months ended 30 June 2023
- Internal Audit update

October 2023

- External Auditor update and confirmation of 2023 fee
- Internal Audit update
- Group Risk and Principal Risks review

December 2023

- Internal Audit update, including Purchase Contracts thematic review
- 2024 Internal Audit Plan
- 2024 Internal Audit Charter
- External Auditor update on audit progress

During the year, the Committee met on five occasions according to the requirements of the Company's financial calendar, covering the following agenda items.

Primary areas of judgement considered by the Committee in relation to the 2023 accounts

To discharge its responsibility to consider accounting and financial reporting integrity, the Committee carefully considers key judgements applied in the preparation of the Consolidated Financial Statements, which are set out on pages 126 to 186. The Committee's review included consideration of the following key accounting judgements:

Valuation of goodwill and indefinite life assets

The value of goodwill and indefinite life assets amounted to £151.6m at 31 December 2023. The review of such assets is based on a calculation of value in use, using cash flow projections based on financial budgets and strategic plans prepared by senior management and approved by the PLC Board. The economic conditions experienced in the UK and the US are reflected in the assessment of the future performance of businesses across Hill & Smith. The Committee reviews and challenges the half-yearly and annual impairment testing carried out on the carrying value of goodwill and other intangible assets across the relevant cash generating units. Business plans, which are signed off by the PLC Board, are reviewed and challenged as part of the audit by the external auditor, EY, which then reports to the Committee on this work. As part of this review, the Committee considered the assessments made in respect of ATG Access Ltd and Hill & Smith Inc.

ATG Access – In 2021, management's impairment assessment concluded that the pace of ATG's post-pandemic recovery was likely to be slower than had previously been anticipated, mainly due to the expectation of prolonged inactivity in several of its key sectors and also reflecting increased competition in the market. As a result, an impairment charge of £10.8m was recognised in the 2021 results. Trading in 2022 improved on 2021, and 2023 saw ATG continue that momentum with their outturn for the year being ahead of previous expectations, with good order intake rates and a solid order backlog. Taking this performance into account, management's impairment assessment in 2023 concluded that there had been no significant downturn in the market outlook since the prior year and therefore, that no impairment was recommended in the year to 31 December 2023. Management acknowledged, however, that the cash flow projections remained sensitive to the assumed rates of revenue and profit growth post-2023 and that there were plausible scenarios that could result in a further impairment in the future. After challenging management on aspects of the business plan and the sensitivity disclosures in the financial statements, the Committee supported management's view.

Hill & Smith Inc. – whilst underlying US roads market conditions remain healthy, Hill & Smith Inc.'s performance in 2022 and 2023, was impacted by operational challenges, and resultant restructuring costs. Management's projections assume that ongoing actions being taken to address the operational issues will be successful, and that short to medium term revenue growth will be above long-term averages due to the anticipated federal and state highway spend over the next four to five years. The resulting impairment calculations indicated headroom of £15.9m (2022: £9.6m). The Committee challenged management on the basis for their projections and received details of the actions that the business was taking to improve performance, including in relation to the local management team. In conclusion, and noting the increased headroom compared to the prior year, the Committee concurred with management's view that no impairment was required. The Committee also studied the sensitivities to the forecasts and the impact of possible changes in assumptions, and reviewed the disclosures of those sensitivities in the financial statements, concluding that they were appropriate.

Prolectric - Following a strong performance in our UK off-grid solar energy business in 2022, Prolectric's results in 2023 were impacted by a downturn in the UK construction market leading to lower revenues and profitability. Management's projections assume that medium-term revenue growth will be above long-term averages due to a combination of a recovery in UK construction, a shift in Prolectric's focus towards the more resilient facilities management sector, and tailwinds from corporate sustainability initiatives. The resulting impairment calculations indicated headroom of £15.6m (2022: £16.3m). The Committee challenged management on the basis for their projections and received a presentation


Galvanized pole cross section, V&S Galvanizing, US

from Prolectric's management setting out the details of the actions that the business was taking to improve performance. In conclusion, and noting that headroom remained similar to the prior year, the Committee concurred with management's view that no impairment was required. The Committee agreed with management, however, that it was plausible that projected revenue growth rates may not be achieved and therefore studied the sensitivities to the revenue forecasts that management had prepared, together with the disclosure of those sensitivities in the financial statements, concluding that they were appropriate.

The disclosures made in respect of the sensitivities around impairment calculations can be found in note 13 to the Financial Statements on pages 153 to 161.

Defined benefit pension scheme valuation

Net defined benefit pension obligations under IAS19 amounted to £4.1m at 31 December 2023. The Committee reviews benchmarks and assumptions that are provided by the Group's actuaries and used to value the pension liabilities for the Group's defined benefit schemes. The underlying assumptions based on market conditions and the characteristics of the schemes are reviewed by management and the external auditor and reported to the Committee.

Taxation

The Group makes judgements in relation to uncertain tax positions, regarding the outcome of negotiations with and enquiries from HM Revenue & Customs and other tax authorities in other jurisdictions. Judgements have been made by management following discussion with the Group's tax advisors and internal review. The Committee has reviewed the analysis behind these judgements and confirms its agreement that the Group's tax provisions are appropriate.

Going concern

The Committee advises the PLC Board on whether it believes it appropriate to adopt the going concern principle in preparing the Group's financial statements. In making this assessment, the Committee received and reviewed management forecasts for the Group's future cash flow performance, challenging the assumptions on which those forecasts are based. In 2023, the Committee received forecasts based on various scenarios and considered what would be required for the Group to breach its borrowing covenants or extinguish its borrowing facilities in the next 18 months, following the balance sheet date. Following a robust assessment of the forecasts, the Committee concluded that adoption of the going concern principle was appropriate for both the interim and full year results. The Committee also reviewed and approved the going concern disclosures that are included in the financial statements.

Whilst not considered to be primary areas of judgement, the Committee's discussions in relation to the 2023 accounts also included the following:

- Given the relatively significant value of non-underlying items in 2023, the Committee challenged management on the presentation of those items. The discussion focused largely on losses incurred on disposal of businesses during the year and on the cost of business reorganisation actions. The Committee concurred with management's view, noting that the work of the external auditor in this area also supported that view.
- Following the identification of an historical product installation issue in our UK off-grid solar business towards the end of the year, the Committee received details from management of the basis of the resulting provision and a presentation from the local management team responsible for resolution setting out their proposed actions. Having challenged management on their judgements in respect of the extent of the issue and the basis of the costs included in the provision calculation, the Committee were satisfied with the provision recognised in the period.
- Following the acquisitions of Enduro Composites, Korns Galvanizing , Conn-Fab and United Fiberglass during the year, the Committee challenged management on the acquisition accounting, focusing on the appropriateness of fair value adjustments and the approach taken to valuation of acquisition intangibles. The Committee concurred with management's approach, noting the work of independent valuations experts in relation to the purchase price allocation under IFRS 3.

Internal audit

Internal audit function

The internal audit function is overseen by the Group Head of Risk & Internal Audit. The Audit Committee annually reviews and approves the Internal Audit Charter that sets out:

- the function's purpose: to evaluate the effectiveness of internal controls, risk management and governance processes independently and objectively; and
- how the function will discharge its responsibility, primarily by preparing and executing a risk-based audit plan, identifying opportunities to improve internal control, risk management and governance processes, and by verifying that improvements agreed with management are implemented within a reasonable timeframe.

In accordance with the Internal Audit Charter, the Audit Committee and executive management ensure that the internal audit function has free and unrestricted access to the Group's records, physical properties, and personnel pertinent to conducting its activities and remains free from inappropriate management influence or other restrictions on its ability to perform its work in an objective and effective manner.

Internal control

The Audit Committee is responsible for ensuring that the Group's system of internal control is embedded within all operating companies. The Committee monitors the adequacy and effectiveness of the Group's internal control processes through review and discussion of:

- the proposed internal audit plan, ensuring that it is aligned to the Principal Risks of the business, adjusted to respond to unexpected events, and receives regular progress updates on the delivery of the objectives of the plan;
- the 21 internal audit reports and associated findings presented throughout the year together with the progress made by management in addressing the issues identified on a timely basis;
- executive management reports and presentations, including updates on specific areas provided at the request of the Committee;
- accounting judgements, including the carrying value of goodwill and intangible assets of ATG Access and Hill & Smith Inc; and
- external audit reports, including the results of early audit procedures and the audit findings in relation to the year end audit.

The 2023 Internal Audit Plan balanced the focus of the function between Group-wide Principal Risks and operating company-level risks. It included a Group-wide


Temporary concrete barrier, Hill & Smith Infrastructure, UK

thematic review of purchase contracts. The review concluded that, while the Group approval requirements for material purchase commitments were generally well adhered to by operating companies, actions to streamline and reinforce the Group approval requirements were recommended.

Operating company-level reviews, focusing on baseline internal controls, were conducted during the year (18 in relation to financial controls and two in relation to IT controls). Where internal audit work found instances of control weakness, or non-compliance with Group Policy, the findings were discussed at the Audit Committee. Such control weaknesses are taken seriously by management and the Audit Committee seeks to ensure that their cause is understood, and mitigating actions are taken to limit the potential for recurrence. Plans are discussed and timelines agreed with the relevant businesses, and these are monitored by the Internal Audit function to ensure compliance. Where operating companies fail to implement such corrective actions within a reasonable period as agreed, the Audit Committee is informed and further escalation measures are taken.

During the year, the Audit Committee challenged management in particular to ensure the implementation of more effective controls around management of inventory in two of the smaller business units and also that sufficient resource and focus was being devoted to the implementation of improved ERP systems in those businesses.

The decentralised business model of Hill & Smith means that it is considered unlikely that a weakness at an individual operating company would have a material impact when taken in the context of the Group as a whole.

Effectiveness of internal audit

The Audit Committee is responsible for monitoring and reviewing the effectiveness of the Group's internal audit function.

As noted above, the Audit Committee reviewed and approved the risk-based audit plan and monitored progress with its completion. Changes to the plan arising in the year, including the completion of additional work, were discussed and approved by the Audit Committee.

Throughout the year, the Audit Committee discussed the internal audit function's outputs with the Group Head of Risk & Internal Audit and executive management. The Audit Committee was satisfied that the internal audit function is operating effectively and that the level of experience within the department was appropriate to meet the Group's needs during the year.

Risk management

The risk management process is continually kept under review to ensure that outcomes from the operating companies' risk submissions provide the necessary information for the Audit Committee to conduct a robust assessment of the risks affecting the Group as a whole. A risk management and reporting tool provides the Committee with more information on how operating companies perceive their risks and how they relate to the Group's Principal Risks. Through these reports, operating company management are continually monitored and supported to ensure their risk management policies and risk mitigations are suitable to meet the PLC Board's appetite for the risks identified.

Risk management process

Every year, the Committee seeks to improve the Group's risk management processes to ensure that the Group's Principal Risks and Uncertainties are correctly identified by virtue of a top-down/bottom-up approach using the experiences of the Audit Committee and the Group's operating companies. In this, the Audit Committee is supported by the Group's Risk Committee, whose membership can be found on page 57.

The Risk Committee oversees the risk management process, which is one of continual improvement. The risk management and reporting tool was further developed during the year supported by a programme of training that was delivered to all management teams across the Group via online webinars and training manuals.

The Risk Committee reviews, discusses, and validates the risk submission data received from the operating companies. Any risks submitted by operating companies that do not align with the Group's Principal Risks are individually reviewed and considered in current and subsequent reviews of the Group Principal Risks. The Audit Committee has monitored the resultant key risks on the corporate risk register and, during the year received reports and minutes from the Risk Committee, detailing the Group-wide risk assessment process, the movements in major risks, and updates on operating companies' risk mitigation activity, together with their attitude to risk as measured by a 'target' risk score. The Committee uses this information to determine the risk appetite within the Group's operating companies and help inform the PLC Board's overall risk appetite.

During 2023, the Committee directed that particular attention be paid to the Principal Risks around Health and Safety and IT Failure. The Committee noted that the prevention of harm or injury to employees was a major area of focus across the Group and that it was a regular topic of discussion within the Executive Board as well as the PLC Board itself.

During the year, the Committee received updates regarding IT resilience and cyber security from the Group IT Director and the Chief Information Security Officer. Regular updates on operating company compliance with the Group IT Controls Manual were provided by Internal Audit.

More information on the activities of the Risk Committee and the Group's Principal Risks can be found on pages 56 to 65.

TCFD

The TCFD (Taskforce for Climate-related Financial Disclosures) recommendations, published in 2017, encourage companies to disclose information on their financial risks and opportunities arising from climate change, and how these are being managed.

In 2021, the Group engaged PwC to perform analysis to enable a better understanding of our climate related risks, by identifying transitional and physical risks and opportunities in future climate scenarios. In both 2022 and 2023, PwC were further engaged to perform assessments of the physical risks for operational sites acquired in those years. The results from PwC's ongoing work were reviewed at the March 2024 Audit Committee, following which the Committee approved the 2023 disclosures relating to TCFD, which can be found in the Group's Sustainability Report on pages 36 to 55.

Whistleblowing

The Group has a written policy, which states that if any employee in the Group has reasonable grounds to believe that the Group's Code of Business Conduct is being breached by any person or group of people, they are able to report such incidents through an externally hosted internet reporting system and/or a telephone-based whistleblowing hotline or, if necessary, to the Company Secretary or a Group President or the Chair of the Audit Committee. This policy can be found on the Group website.

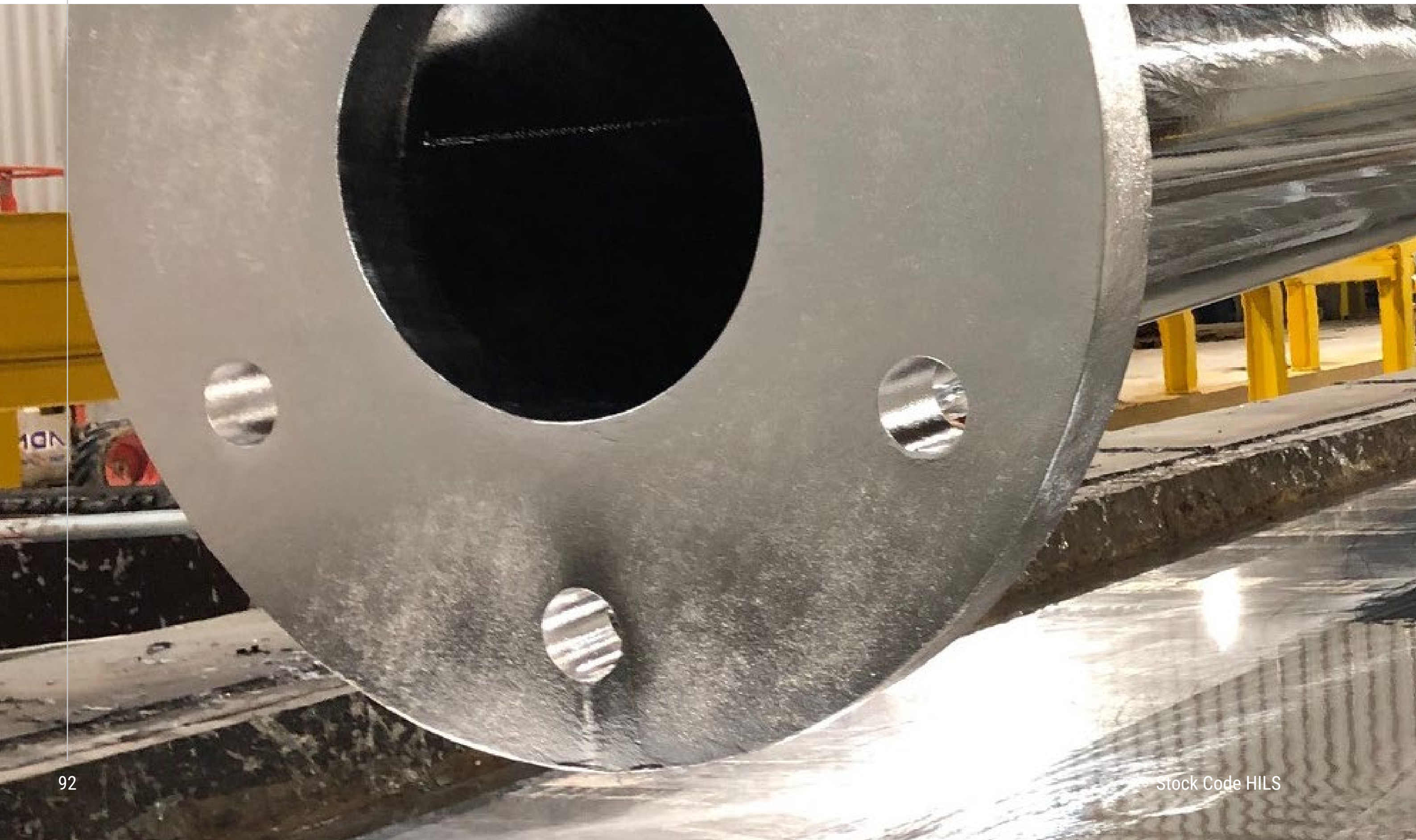
Any incidents reported, whether through the whistleblowing hotline or direct to the Company Secretary or any other member of Group-level management, are investigated under the supervision of the Group Company Secretary and resolved appropriately. Reports raised by the Group Company Secretary on these cases, on the investigative process, the conclusions, and any lessons to be learned from these events, are shared with the PLC Board.

Assessment of effectiveness of external audit

There are several areas that the Committee considers in relation to the external auditor: performance in discharging the audit of the Financial Statements; independence and objectivity; and reappointment and remuneration.

External auditor performance

The external auditor, EY, provided the Committee with their plan for undertaking the 2023 audit during the Committee meeting in August 2023. This highlighted the proposed approach and scope of the audit and identified the key issues in detail, being the valuation of goodwill in relation to ATG Access and Hill & Smith Inc; the risk of fraud in revenue



recognition; and inventory valuation. The Committee debated, and appropriately challenged the basis for these areas before agreeing the proposed approach and scope of the external audit. As events evolved through the year, the audit risks have, accordingly, been revisited by EY.

The external auditor prepared a detailed report of its findings in respect of the 2023 audit. The Committee discussed the issues raised in the report, particularly in relation to the areas highlighted, at their meeting in March 2024. The Committee questioned and challenged the work undertaken, the findings and the key assumptions made, with particular attention to the areas of audit risk identified.

Auditor independence and rotation

The external auditor confirmed its policies on ensuring auditor independence and provided the Committee with a report on their own audit and quality procedures. This report was considered during the period under review and the Committee were satisfied of the auditor's independence. To help maintain auditor independence, the Group has a policy, whereby, before any former employee of the external auditor may be employed by the Group, careful consideration is given to whether the independence of the auditor will be adversely affected, and approval of the Audit Committee is required. There were no such instances during the year.

EY were appointed as the Group's auditors in June 2020, and they have confirmed to us that, as the partner in charge, Helen McLeod-Jones, subject to unforeseen changes, will be the lead partner up to and including, the audit for 2024 before being compelled to rotate off the audit to ensure continued independence.

Audit and non-audit fees

At the October 2023 meeting, the Committee discussed and approved the proposed audit fee for 2023. The Committee noted that the c.1.8% increase in the fee reflected the inflationary cost increases observed across the professional services industry in the past 12 months offset by efficiencies and changes in the Group's portfolio.

The Committee maintained the approach of minimising the non-audit work carried out by the external auditor. The Committee's Non-audit Services Policy meets the detailed requirements of Audit legislation, which restricts the use of the external auditor for activities, including compiling accounting records, certain aspects of Internal Audit, IT consultancy, tax services except in exceptional circumstances, and advice to the Remuneration Committee.

For any non-audit/additional services set out in section 5.40 of the FRC's ethical standard 2019, the policy provides for approval by the Audit Committee. A report is submitted to the Audit Committee of any non-audit services carried out by the external auditor, irrespective of value to ensure that the aggregated spend with the external auditor will not exceed 70% of the audit fee.

During 2023, there were fees of £13,000 (2022: £3,000) paid to the auditor for non-audit services relating to other assurance services. In 2023, non-audit fees represented 0.8% of audit fees of £1.6m (2022: 0.2%). Further details of these amounts are included in note 8 of the Financial Statements on page 148.

Mark Reckitt
Chair
11 March 2024

REMUNERATION COMMITTEE REPORT

DEAR STAKEHOLDER

As Chair of the Remuneration Committee and on behalf of the Board, I am pleased to share with you our report on Directors' remuneration for the year ended 31 December 2023. The Annual Report on Remuneration (pages 94 to 106) describes how the Remuneration Policy (the 'Policy') has been applied during the year and how we intend to implement our Policy for 2024.

> ***"Our Directors' Remuneration Policy and Remuneration Report received 98.5% and 98.8% shareholder support respectively, reflecting the ongoing support from shareholders of our approach to remuneration."***
>
> **Tony Quinlan**
> Committee Chair

I would like to thank those shareholders who provided feedback on remuneration matters ahead of our 2023 AGM. I was pleased that our Directors' Remuneration Policy and Remuneration Report received 98.5% and 98.8% shareholder support respectively, reflecting the ongoing support from shareholders of our approach to remuneration.

As this is my first report as Chair of the Committee, following my appointment on 25 May 2023, I would like to thank my predecessor, Annette Kelleher, for her leadership of the Committee and support during my transition to Chair.

Business context

The Group has delivered record revenue and profits in 2023, again demonstrating the business' resilience to the challenging headwinds of supply, inflation and a post-COVID marketplace. The Group is reporting, from continuing operations, revenue of £829.8m and underlying operating profit of £122.5m. In addition to delivering robust financial performance, 2023 has continued the progress of improving the quality of our portfolio of businesses. We successfully exited the remainder of our Swedish business and disposed of our small UK car park solutions business. We also completed four exciting acquisitions, three in our high growth, high margin Engineered Solutions division and a galvanizing plant that adds spin galvanizing to the Group's Galvanizing Services portfolio.

During 2023, Alan Giddins continued to serve as Executive Chair. Further details regarding the ongoing search to appoint a permanent CEO can be found in the Nomination Committee report. In January 2024 we appointed Hooman Caman Javvi to the position of Chief Operating Officer, in this new role he has enhanced responsibilities encompassing the Group's operations, talent development and medium-term strategy.

2023 Remuneration Outcomes

Workforce remuneration

The Committee remains cognisant of the ongoing scrutiny in relation to executive remuneration and the need to ensure that remuneration outcomes are appropriate within the context of the wider stakeholder experience.

In 2023, the Company set salary increase budgets at between 5% and 10%, depending on country and local circumstances, to support employees through the cost-of-living crisis. We continued to focus on measures within our operating companies that enable a good standard of living, targeted salary adjustments, financial education, and voucher programmes.

As set out in the 2022 Remuneration Report, our Executive Chair Alan Giddins has not participated in any variable remuneration arrangements since his appointment. The Remuneration Committee, taking external legal and governance advice and in consultation with Alan, felt this best preserved the independence of the position, allowing a reversion to a non-Executive Chair role in due course. This is a significantly lower total remuneration level when compared to an equivalent executive package, particularly considering the performance of the business under his Executive Chair tenure. The sections below detailing incentive payouts for performance periods ending 31 December 2023, therefore relate to the CFO only.

Annual bonus outcomes

The 2023 annual bonus for the CFO was based on financial measures (80% weighting) and personal objectives (20% weighting). Aligned to the strong performance delivered during 2023, the formulaic outcome was 95.5% of maximum.

The Committee determined that this formulaic outcome represents a fair reflection of the financial and strategic performance of the business during the year, and as such, agreed that no discretion should be applied to adjust it.

Details of the outturns against the individual financial performance measures and personal objectives are set out on pages 96 and 99.

Half of the bonus earned by the CFO will be deferred into shares for two years, to ensure long-term alignment with the interests of shareholders.

Long-term incentive outcomes

With regard to our long-term performance, our 2021 long-term incentive award is eligible to vest based on performance from 1 January 2021 to 31 December 2023. The portion of this award vesting was determined based on performance against Underlying Earnings Per Share ('UEPS') and Relative Total Shareholder Return ('TSR') targets.

In relation to TSR performance the Company was measured against the FTSE 250, excluding financial services companies and investment trusts and ranked 15 out of 126 companies. The UEPS, as disclosed on page 100, at 31 December 2023 was 105.4p, comfortably ahead of the maximum target of 102.0p.

Considering the financial performance of the Company and taking into account the disposals and acquisitions made in the three-year performance period and the progress against non-financial metrics achieved during the performance period, the Committee is comfortable that the formulaic outturn of the 2021 long-term incentive is appropriate. As such the Committee agreed that no discretion should be applied to adjust the formulaic outcome.

The Committee is satisfied that the Remuneration Policy has operated as intended, and in reaching this conclusion took into account overall Company performance and other information, such as internal pay ratios and shareholder feedback.

Employee and shareholder engagement

Our Board members visited a number of our operating companies during the year and solicited feedback from them on a broad range of topics that included remuneration, operational performance and structure, and how our structures align with strategy. These visits, allied to the operation of our annual engagement survey, ensure the Board understands the views of all employees and can act as needed to ensure we continue to have an engaged and motivated workforce. Our engagement levels remain close to the benchmark for other Industrial companies but did decrease slightly at a Group level, with cost-of-living pressures in the UK being specifically highlighted. The importance of providing employees with regular recognition was also noted and is something that we are focused on in 2024. Each business has been asked to prepare a clear action plan in order to address specific issues raised and these plans are being cascaded throughout each operating company. Progress in delivery against these plans will be reviewed by the Board

Looking forward to 2024

Base salary

Our usual practice is to review Executive Directors' salaries on an annual basis. In December, the Committee considered their annual salary increases and determined that increases of 5% and 8% of salary should be applied to the Executive Chair and CFO, respectively, effective 1 January 2024. Salary increases across our operating companies were within a range of 1.8% to 7.3%. In setting the rate of increases for the Executive Directors, the Committee noted that the Executive Chair does not participate in any variable remuneration schemes and confirmed its intent, as referenced in last year's Directors' Remuneration Report, to move Hannah Nichols', the CFO, remuneration to the market rate for an experienced and high performing FTSE 250 company. Hannah was appointed, in September 2019, on a below market base salary that reflected that this was her first PLC Executive Director position.

With regard to the appointment of Hooman Caman Javvi to the position of Chief Operating Officer and Executive Director, he was appointed to the role on a salary of £380,000. The salary reflects the Committee's view of the size of the role and the calibre and experience of the individual.

Variable remuneration

Aligned to 2023, the Executive Chair will not participate in any variable remuneration arrangements.

The annual bonus and long-term incentive arrangements for 2024 will remain broadly unchanged for the CFO, both in terms of opportunity level (125% and 150% of salary respectively), and performance measures. The annual bonus will remain subject to challenging profit (60%), cash conversion (20%) and non-financial (20%) targets. The only change that is being made to the annual bonus is to include within the non-financial targets, personal objectives that include a dedicated health and safety target. This change is being made to better align the bonus with the focus that health and safety has within the Company. The long-term incentive will continue to operate with challenging UEPS (50%) and relative TSR (50%) targets.

Hooman Caman Javvi will be eligible to participate in the annual bonus and long-term incentive plan with maximum opportunities set at 100% of salary and 125% of salary respectively. His participation in the annual bonus will be pro-rata for his period as an Executive Director and the incentive opportunities have been set with reference to the size and expected impact of the role.

Non-executive Director fees

The Non-executive Director fees, including additional fees, have been increased by 4.6% with effect from January 2024. See page 106 for more details.

Conclusion

The Committee recognises the excellent performance that has been delivered during 2023 and believes that remuneration outcomes fairly reflect this performance.

We hope that having read this report you will vote in support of the resolution for the Annual Report on Remuneration at our 2024 AGM.

Tony Quinlan
Chair
11 March 2024

DIRECTORS' ANNUAL REMUNERATION REPORT

Area of focus in 2023

During the year to 31 December 2023, the Remuneration Committee consisted of Annette Kelleher, Mark Reckitt, Pete Raby, Tony Quinlan, Leigh-Ann Russell, and Farrokh Batliwala. Annette chaired the Committee until 25 May 2023, when she stepped down from the Board following the AGM. Tony Quinlan became Chair of the Committee on that date. Carol Chesney joined the Committee on 1 January 2024.

During the year, the Committee considered the following:

January and March

- Determination of variable pay outturns for the 2022 bonus and 2020 LTIP as reported in last year's Directors' Remuneration Report
- Confirmation of the Executive Directors' annual bonus targets and objectives for 2023
- Approval of LTIP 2023 award
- Review of the Group's share option rules, ahead of presenting them to shareholders at the Company's AGM
- Consideration of the Group's Gender Pay statement

May and August

- Review of operating company bonus schemes
- Approval of SAYE 2023 award
- Review of 2023 AGM voting results and shareholder feedback

November and December

- 2024 salary review for Executive Directors and members of the Group's Executive Board, having considered the range of increases applied to the wider workforce
- Executive Directors' bonus plan for 2024
- Consideration of market update as provided by the Committee's adviser
- Consideration of metrics to be used in Executive Directors' short and long-term incentive plans

Reward linked to performance

Underlying Operating Profit (at budgeted FX rates) – outcome against target

£120.6m Actual

£104.0m Target

Underlying Cash Conversion

115.2% Actual

81.7% Target

Total annual bonus plan – Outcome, including achievement of personal objectives, see pages 98 and 99 of:

Hannah Nichols

95.5%

of maximum opportunity

Remuneration at a glance

To incentivise our employees to achieve our strategy, we provide market competitive remuneration which is aligned with our shareholders' experience.

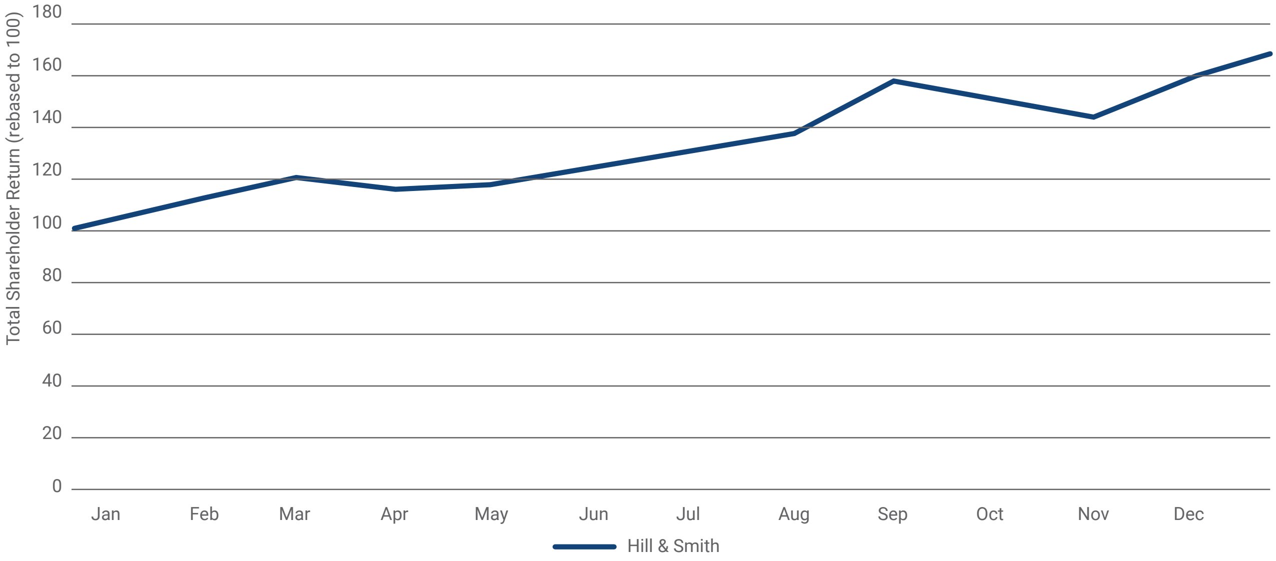
Remuneration Policy and structure summary

(More details can be found on pages 96 to 104)

Element	Purpose/structure	Operation for 2024
Base salary and benefits	Enables the Company to recruit and retain Executive Directors	**CFO** - £405,000 (8% increase) **COO** - £380,000 (n/a) **Executive Chair** – £615,000 (5% increase)
Pension	To provide post-retirement benefits for Executive Directors	**CFO** – 6.5% of salary **COO** – 6.5% of salary **Executive Chair** – n/a
Annual bonus	Performance measures and targets are reviewed and set annually by the Remuneration Committee. At least 50% of bonus will be based on financial measures 50% of any bonus is deferred into shares for two years	**2024 performance measures:** Budgeted underlying operating profit (60%), budgeted underlying cash conversion (20%), and individual personal objectives, including health and safety (20%) **Maximum opportunity:** **CFO** 125% of salary **COO** 100% of salary **Executive Chair** – n/a
LTIP	Three-year performance period, with a further two-year holding period	**2024 performance measures:** Relative TSR (50%) and growth in UEPS (50%) **Grant size:** **CFO** – 150% of salary **COO** – 125% of salary **Executive Chair** – n/a
Shareholding guidelines	To encourage shareholder alignment both during and after employment	200% shareholding for Executive Directors during employment and for two years after employment ends

The following chart shows Hill & Smith's Total Shareholder Return during 2023

Total Shareholder Return



Financial performance	Alignment with shareholders	Alignment with the wider workforce
5% Organic revenue growth	50% Proportion of annual bonus received in shares	CFO: 8% Executive Chair: 5% Salary increase for Executive Directors See page 105 for more details
14.8% Underlying operating profit margin	200% Shareholding guidelines (% of salary)	1.8% – 7.3% Salary increase budgets for the wider workforce
115% Underlying cash conversion	100% LTIP awards subject to a mandatory two-year holding period	6.5% Pension contributions for Executive Directors
£34.5m Dividends paid to shareholders	124 Senior Executives with an interest in long-term share awards	6.5% Maximum contribution available for UK employees

Implementation of the Remuneration Policy during 2023

Single remuneration figure

	Year	Base Salary / fees [1]	Taxable Benefits [2]	Pension [3]	Total Fixed Pay	Annual Bonus [4]	LTIP [5]	Total Variable Pay	Total 'single figure'
Alan Giddins	**2023**	**584,554[6]**	**–**	**–**	**584,554**	**–**	**–**	**–**	**584,554**
	2022	257,241[6]	–	–	257,241	–	–	–	257,241
Hannah Nichols	**2023**	**374,523**	**12,822**	**24,344**	**411,689**	**447,086**	**548,474**	**995,560**	**1,407,249**
	2022	356,689	12,639	23,185	392,513	345,213	213,002	558,215	950,728
Paul Simmons	**2023**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2022	304,005	15,639	36,535	356,179	330,758	110,991	441,749	797,928
Totals	2023	**959,077**	**12,822**	**24,344**	**996,243**	**447,086**	**548,474**	**995,560**	**1,991,803**
	2022	917,935	28,278	59,720	1,005,933	675,971	323,993	999,964	2,005,897

1 The amount of base salary received in the year.

2 The taxable value of benefits received in the year: Membership of the Company's healthcare scheme, income protection scheme, personal accident insurance, car (or cash allowance), ill health and life assurance.

3 Pension contributions for eligible Executive Directors represent 6.5% of their base salary.

4 Annual Bonus is the value of the bonus earned in respect of the financial period under review, including the amount deferred into shares. A description of how the bonus pay out was determined can be found on pages 98 to 99.

5 Represents the value of shares vested under the rules of the Hill & Smith LTIP, in respect of the performance period ended 31 December 2023. A description of the basis on which awards vested and the value can be found on page 100.

6 These amounts relate to the period which Alan Giddins served as Executive Chair.

2023 annual bonus

Hannah Nichols was eligible to earn a bonus for 2023 of up to 125% of salary. In line with the Policy, 50% of any bonus is paid upfront in cash and the remaining 50% is deferred into shares for two years, with no performance conditions, and subject, ordinarily, to continued employment.

The extent to which Hannah's bonus was earned is summarised below:

Measure	Weighting	Target – 50% of maximum	Maximum – 100% of maximum	Actual performance	Actual bonus earned (% of maximum)
Underlying Operating Profit [1]	60%	£104.0m	£110.0m	£120.6m	60%
Underlying Cash Conversion	20%	81.7%	86.7%	115.2%	20%
Personal objectives	20%	The bonus earned by reference to the satisfaction of personal objectives was determined by the Committee based on its assessment of the extent to which the objectives were achieved, as described below			

1 For the purposes of calculating the annual bonus the Underlying Operating Profit is calculated at budgeted rates of exchange, excluding acquisitions made in the year.

The personal objectives set for each Executive Director are summarised below, along with the key achievements.

Executive Director	Objectives	Key achievements
Hannah Nichols	Continue to drive the Sustainability agenda across the following:	
	– Reduction in LTIR rate across the Group	Reduction in LTIR to 0.43
	– Information for science-based targets collated for scope 1, 2 and 3 and submitted, approved and published within eight weeks of approval	SBTi targets submitted and approved
	– Reduction in scope 1 and 2 greenhouse gas emissions for existing businesses, when compared to 2022 reported levels, consistent with our net zero by 2040 trajectory	Reduction in scope 1 and 2 greenhouse gas emissions vs the base year
	Continue to drive further improvements in the accuracy of Group level financial forecasts, thereby providing the Board with a high level of confidence in the information used for decision making	Continued progress achieved in further improving the quality and accuracy of the Group's financial forecasts
	Provide clear leadership in the delivery of the Group's information security and ERP strategies	Significant steps taken across information security. Progress made in the implementation of the Group's ERP strategy
	Drive further working capital efficiency across the Group through working with both operating company MDs and FDs	Excellent cash conversion at 115%, materially up on the prior year. Strong alignment achieved across the Group
Achievement	**77.5%**	

In assessing the key achievements set out above in relation to personal objectives, the Committee determined that Hannah Nichols should receive 77.5% of this part of the bonus, being 15.5% of her maximum opportunity.

The Committee considered the formulaic outturn of the annual bonus for 2023 to be appropriate and reflected the financial and non-financial performance of the business during the year, therefore, no discretion was applied.

The cash bonus and deferred bonus earned in respect of 2023 are as follows.

Executive Director	Total bonus earned	Bonus paid in cash (£)	Bonus paid as an award of deferred shares (£)
Hannah Nichols	£447,086	£223,543	£223,543

LTIP awards vesting in respect of 2023

Hannah Nichols was made an LTIP award in 2021 of 31,075 shares. These vested subject to the achievement of performance conditions based on absolute UEPS growth over the three-year performance period ended 31 December 2023 (as regards 50% of the award) and TSR relative to the FTSE 250, excluding investment trusts and financial services companies (as regards 50% of the award).

On 8 March 2024, the Remuneration Committee approved the extent to which the awards vested, and the value included in Hannah Nichols' single figure of remuneration table as a result is set out below:

Performance Targets		Vesting	Actual performance	Actual Vesting	Shares subject to the Award	Vesting shares	Vested value [1]
UEPS	Threshold 82p	20%	UEPS of 105.4.p	UEPS: 100% of	31,075	31,075	548,474
	Maximum 102p	100%		maximum			
TSR	Median	20%	TSR Ranked	TSR: 100% of			
	Maximum	100%	15 out of 126	maximum			

[1] The value of shares is calculated by reference to the average share price for the three months to 31 December 2023, being £17.65. In accordance with the rules of the LTIP, Hannah is entitled to a further benefit by reference to the dividends paid over the period from grant to vesting, amounting to £31,417, and delivered as 1,778 shares.

Considering the financial performance of the Company and taking into account the disposals and acquisitions made in the three-year performance period, the Committee is comfortable that the targets were no more or less challenging than when they were originally set.

Executive Director shareholding guidelines

The Company's guidelines are that Executive Directors must hold 200% of their base salary in shares.

In order to meet this requirement, Directors are required to build up such by retaining at least half of any shares earned through incentive arrangements until that shareholding requirement is met. Shares awarded as part of the deferred bonus arrangements also count towards this requirement.

Although not subject to shareholding requirements, the Executive Chair, Alan Giddins, has been included in the table below.

	Alan Giddins	Hannah Nichols
Shareholding requirement	n/a	200%
Current shareholding on 31 December 2023	89,225	3,106
Deferred shares on 31 December 2023 (amounts net of tax and social security)	–	24,913
Total shares	89,225	28,019
Share value based on share price on 31 December 2023	£1,702,413	£534,603
Current % of salary (based on salary on 31 December 2023)	n/a	143%

Hannah Nichols will be required to retain at least 50% of any shares earned under the LTIP and the deferred bonus scheme until the shareholding guideline is achieved. There was no change in these beneficial interests between 31 December 2023 and 11 March 2024.

Share awards granted during the year

During the year to 31 December 2023, the Committee approved awards, under the rules of the LTIP, to the Executive Directors as follows:

	Date of Award	Type of Award	Number of Shares	Maximum face value of Award [(1)]	Threshold Vesting	Performance Period [(2)]
Hannah Nichols	16 March 2023	Nil cost option	36,067	£468,150	20%	31 December 2025

1 Calculated by reference to a share price of £12.98 being the Mid-Market Quote from the day immediately preceding the date of grant.

2 After the end of the performance period, the LTIP awards will be subject to an additional two-year holding period before they are released.

The performance conditions for these awards are as follows:

Vesting amount	UEPS compound annual growth rate over three years (50% of the award)	TSR (50% of the award) **
0% Vesting	Less than 4%	Below median
20% Vesting*	4%	Median
Maximum Vesting*	12%	Upper quartile

* Straight line vesting will apply between these two points.

** Relative to the FTSE 250 (excluding investment trusts and financial services companies).

SAYE

The interests of Executive Directors who served in 2023 in options for ordinary shares in the Company, granted under the Company's SAYE schemes, are included in the following table:

								Period that option is exercisable	
	Year	Grant Price	Awards held at 31 December 2022	Granted during the year	Exercised during the year	Lapsed during the year	Awards held at 31 December 2023	From	To
Hannah Nichols	2022	£7.94	3,778	–	–	–	3,778	1 Jan 2026	1 July 2026

Alan Giddins does not participate in the SAYE.

Statement of Executive Directors' shareholding and interest in shares

				Unvested		
	Type	Owned Outright	Vested but not exercised	Subject to performance conditions	Not subject to performance conditions	Total at 31 December 2023
Hannah Nichols	Shares	3,106	47,006	98,629	–	148,741
	Market value options [(1)]	–	–	2,497	–	2,497
	SAYE Options [(2)]	–	–	–	3,778	3,778

1 The Market Value options were granted under the tax-advantaged part of the ESOS as part of the LTIP award granted in 2020 to Hannah Nichols and are subject to the same performance conditions as that LTIP award.

2 A breakdown of SAYE awards is shown above.

Loss of office payments and payments to former Directors

There were no loss of office payments made to past Directors during the year ended 31 December 2023.

As disclosed in the 2022 Directors' Remuneration Report, Paul Simmons continued to receive his basic salary from 1 January 2023 to 17 July 2023. This amounted to £304,815.

Non-executive Directors

Non-executive Director single figure comparison

Director	Role	Board Fees	Other Fees	Taxable Benefits	Annual Bonus	LTIP	Pension	Total 'Single Figure' 2023[1]	Total 'Single Figure' 2022[1]
Alan Giddins	Chair	n/a	–	–	–	–	–	–	98,695
Annette Kelleher[2]	Chair, Remuneration Committee	26,969	–	–	–	–	–	26,969	62,840
Farrokh Batliwala[3]	Non-executive Director	55,823	–	–	–	–	–	55,823	40,238
Leigh-Ann Russell	Non-executive Director	55,455	–	–	–	–	–	55,455	53,840
Mark Reckitt	Chair, Audit Committee	64,725	–	–	–	–	–	64,725	62,840
Pete Raby	Non-executive Director	55,455	–	–	–	–	–	55,455	53,840
Tony Quinlan[4]	Senior Independent Director	70,133	–	–	–	–	–	70,133	62,840
Total		328,560	–	–	–	–	–	328,560	435,133

1 As the Non-executive Directors do not participate in any variable arrangements, separate sections for fixed and variable pay are not included.

2 Annette Kelleher retired from the Board on 25 May 2023.

3 Farrokh Batliwala is paid partly in GBP and partly in USD. The total disclosed reflects the actual payments translated into GBP at an average exchange rate of $1.24.

4 Tony Quinlan became Chair of the Remuneration and Nomination Committees on 25 May 2023.

The Non-executive Directors do not have service contracts, only letters of appointment, and fees for Non-executive Directors are determined by the Executive Directors in light of market best practice and with reference to the time commitment and responsibilities associated with the role. The Non-executive Directors do not participate in any decision in relation to the determination of their fees and are not eligible for performance related bonuses or the grant of awards under any Group incentive scheme. No pension contributions are made on their behalf.

Non-executive Director shareholding

	2023	2022
Annette Kelleher*	–	3,948
Farrokh Batliwala	2,000	2,000
Leigh-Ann Russell	2,000	2,000
Mark Reckitt	4,000	4,000
Pete Raby	5,020	3,100
Tony Quinlan	3,111	1,200

* Annette Kelleher retired from the Board on 25 May 2023.

There was no change in these beneficial interests between 31 December 2023 and 11 March 2024. The Non-executive Directors do not hold any share awards or share options.

Non-executive Directors do not have a shareholding guideline, but they are encouraged to buy shares in the Company.

The following parts of the Remuneration Report are not subject to audit

Annual percentage change in the remuneration of Directors and employees

The table below shows the annual percentage change in each Director's salary/fees, benefits and bonus between the year ended 31 December 2022 and the year ended 31 December 2023, and the average percentage change in the same remuneration over the same period in respect of the employees of the Company on a full-time equivalent basis. Although the regulations require us only to show the average percentage change for the employees of the Company, we have provided additional disclosure showing the average change for the Group's wider workforce.

The average employee change has been calculated by reference to the mean of employee pay.

		Average employee	Wider workforce	Hannah Nichols	Alan Giddins	Leigh Ann Russell	Mark Reckitt	Pete Raby	Tony Quinlan	Farrokh Batliwala
Salary / fees	2022 - 2023	5.4%	1.3% - 10.0%	5.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	2021 - 2022	4.1%	2.0% - 9.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	n/a
	2020 - 2021	2.9%	2.9%	2.0%	2.0%	n/a	2.0%	2.0%	2.0%	n/a
	2019 - 2020	2.9%	2.9%	2.9%	2.5%	n/a	2.5%	2.5%	2.5%	n/a
Taxable benefits	2022 - 2023	n/a	n/a	1.4%	n/a	n/a	n/a	n/a	n/a	n/a
	2021 - 2022	n/a	n/a	0.3%	n/a	n/a	n/a	n/a	n/a	n/a
	2020 - 2021	n/a	n/a	5.0%	n/a	n/a	n/a	n/a	n/a	n/a
	2019 - 2020	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Annual bonus	2022 - 2023	n/a	20.3%*	30%	n/a	n/a	n/a	n/a	n/a	n/a
	2021 - 2022	n/a	44.5%*	-8%	n/a	n/a	n/a	n/a	n/a	n/a
	2020 - 2021	n/a	340.3%*	454.4%	n/a	n/a	n/a	n/a	n/a	n/a
	2019 - 2020	n/a	112.0%*	n/a	n/a	n/a	n/a	n/a	n/a	n/a

* The bonus figures were taken from those senior executives operating on similar incentivised arrangements to the CFO and capable of influencing the Groups' performance.

Single figure of the Chief Executive compared to the wider workforce

This is our fifth year of reporting the CEO pay ratio and the table below sets out our CEO pay ratio figures in respect of 2019, 2020, 2021, 2022 and 2023.

As in previous years, the Company has opted to use option B of the Pay Ratio regulations. Gender Pay Gap information has recently been collated to meet our Gender Related Pay Gap ('GRPG') reporting requirements for 2022/23, to identify the three relevant employees. The rationale behind adopting this option is that data required to meet both BEIS and GRPG regulations has to be collected for our UK-based employees and this option allows both to be completed, efficiently, and effectively in the time allowed to make any relevant public statements.

Year	Method	25th percentile pay ratio	Median pay Ratio	75th percentile pay ratio
2023	Option B	17:1	18.1	15.1
2022	Option B	39:1	37:1	32:1
2021	Option B	68:1	63:1	41:1
2020	Option B	26:1	44:1	33:1
2019	Option B	43:1	39:1	38:1

Pay details for the individuals are set out below.

2023	CEO/Executive Chair	25th percentile	Median	75th percentile
Salary	£584,554	£30,402	£32,204	£35,350
Total remuneration	£584,554	£34,384	£32,204	£38,111

The ratio has reduced materially for 2023 on account of the Executive Chair not receiving any form of variable remuneration. It should be noted that, on appointment of a permanent CEO, remuneration will revert to the inclusion of performance-based pay.

In this context, the Committee considers that the median ratio for 2023 is consistent with the pay, reward and progression policies for employees as a whole.

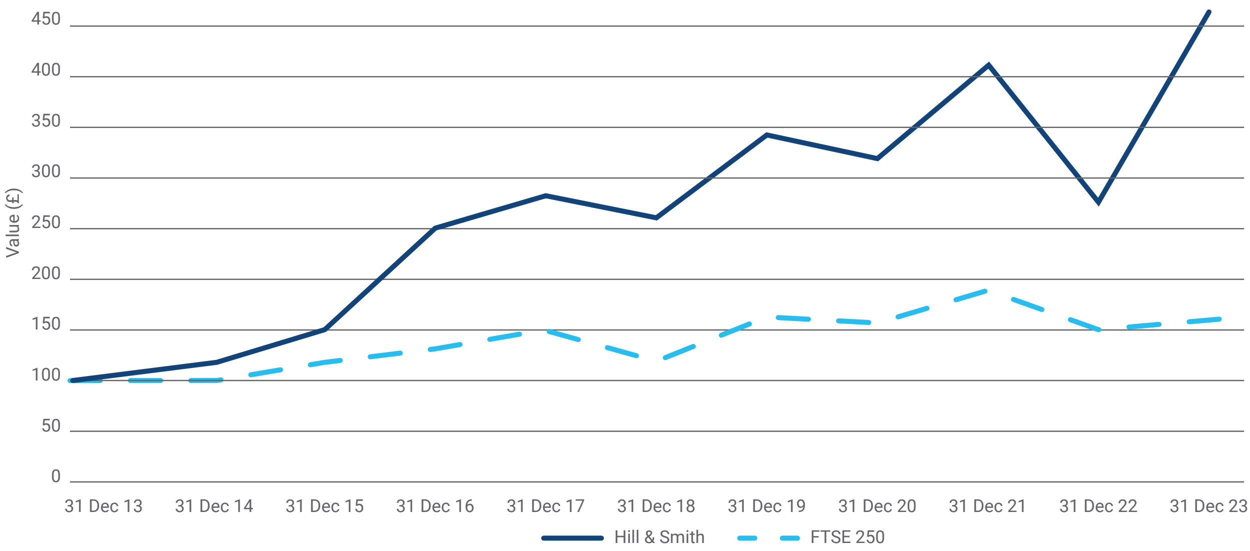
Pay for performance

The graph below shows the Company's TSR performance over the 10 years to 31 December 2023 as compared to the FTSE 250.

The table below details the CEO/Executive Chair's single figure remuneration and actual variable pay outcomes over the same period.

Total Shareholder Return

The following chart shows Hill & Smith's Total Shareholder Return over the 10 years to 2023.



	2014	2015	2016	2017	2018	2019	2020		2021	2022		2023
							Derek Muir	Paul Simmons		Paul Simmons	Alan Giddins	Alan Giddins
CEO/Executive Chair single figure (£000)	1,835	1,894	2,134	2,085	1,506	1,187	980	318	1,781	798	257	585
Annual bonus (% of max.)	100	100	100	94	19	43	19	19	88	72	n/a	n/a
LTIP Vesting (% of max)	93	98	100	100	100	31	36	n/a	100	Nil	n/a	n/a

Relative importance of spend on pay

	2023	2022	% Change
Dividends paid in respect of the financial year	£34.5m	£28.0m	23%
Overall spend on pay [(1)]	£203.2m	£173.2m	17%

1 This includes a 14% change in the number of people employed by the Group. See note 6 to the accounts on page 147.

Statement of shareholder voting

The following table shows the results of the vote on the Annual Remuneration Report at the 2023 AGM and the binding vote on the current Remuneration Policy at the 2023 AGM.

	For	Against	Withheld
Remuneration Policy (2023)			
% of votes cast	98.46%	1.54%	6,275 votes were withheld in relation to this resolution (<0.01%)
	61,858,119	967,984	
Remuneration Report (2023)			
% of votes cast	98.82%	1.18%	7,349 votes were withheld in relation to this resolution (<0.01%)
	62,085,022	740,007	

Advisors

Korn Ferry were appointed as external advisor to the Remuneration Committee during 2022 following a competitive tender process.

Korn Ferry did not provide any services other than in relation to advising the Remuneration Committee during the year and the Committee is satisfied that no conflict of interest can arise as a result of these services. Korn Ferry has voluntarily signed up to the Remuneration Consultants Group Code of Conduct. In view of these factors, the Committee is satisfied that the advice it receives from Korn Ferry is objective and independent. For the year under review, Korn Ferry received fees of £71,908 in connection with its work for the Committee, which were charged on a time cost basis.

The Group Executive Chair and Chief Financial Officer attend Remuneration Committee meetings by invitation to provide advice and respond to specific questions, but are not in attendance when their own remuneration is discussed. The Company Secretary acts as Secretary to the Remuneration Committee, but is similarly not in attendance when his own remuneration is discussed.

How the Remuneration Policy will be implemented for 2024

Executive Directors

Salary

Base salaries were reviewed on 19 December 2023 and as from 1 January 2024 are:

Alan Giddins	£615,000
Hannah Nichols	£405,000

As detailed in the Chair's Introductory Letter on pages 94 to 95, the salary increases awarded to the Executive Chair and CFO were 5% and 8% of salary, respectively. This represents an average of 6% increase for the Executive Directors and sits within the range of salary increases provided to the wider workforce within our operating companies, which range from 1.8% to 7.3% for 2024.

In considering the remuneration of Alan Giddins as Executive Chair, the Committee were mindful that this was an interim position and the intention would be to revert this to Non-Executive Chair, when a permanent CEO was in place. To that end a fixed fee, based on the previous CEO's base salary, was agreed to reflect the additional time and responsibilities of this interim Executive Chair role, but following external professional advice regarding good corporate governance, there are no additional incentive based payments. The Committee also felt that the company should not fund any normal benefits, such as a pension allowance, which would usually be paid to an executive in undertaking their role.

With regard to the CFO, the Committee's intention, as referenced in last year's Directors' Remuneration Report, is to move her remuneration to the market rate for an experienced and high performing FTSE 250 CFO. By way of background, Hannah was appointed in September 2019, on a below market base salary that reflected this was her first PLC Executive Director position. As part of the work undertaken in connection with the renewal of our Directors' Remuneration Policy last year, the Committee made an adjustment to her long-term incentive award opportunity to better reflect the size and complexity of her role and increased her salary by 5% which was at the lower end of the typical rate of increase awarded across the Company for 2023 (5% to 10%). For 2024, the 8% increase is considered appropriate given that it will achieve the Committee's stated objective of aligning her remuneration with that of an experienced high performing FTSE 250 CFO and the rate of increase is aligned with the higher end of the typical range of increases across our operating companies (where the range is 1.8% to 7.3%), but well within the range of individual increases awarded for high performers and employees subject to market related adjustments.

In relation to Hooman Caman Javvi's appointment as Chief Operating Officer and as an Executive Director, his salary for 2024 will be £380,000, which the Committee set to reflect the size of the role and the calibre and experience of the individual.

Pension and benefits

Alan Giddins is not eligible to receive a pension. The pension contribution for Hannah Nichols and Hooman Caman Javvi is 6.5% of base salary.

Annual bonus

Alan Giddins will not be eligible to receive an annual bonus during 2024.

The maximum opportunity for Hannah Nichols will remain at 125% of salary and has been set at 100% of salary for Hooman Caman Javvi. The bonus opportunities reflect the Committee's view of relative size of the roles. The bonus is structured so that 50% of the opportunity will be earned for achieving a stretching level of on-target performance and any bonus earned will be paid as to 50% in cash and 50% in deferred shares.

For the 2024 financial year, the Committee has considered the inclusion of specific non-financial annual bonus metrics and as such, the bonus metrics and weightings for 2024 will be:

- Budgeted underlying operating profit (60%)
- Budgeted cash conversion (20%)
- Individual personal objectives, including a health and safety target (20%)

The Committee does not consider it appropriate to prospectively disclose the targets under the annual bonus plan due to issues of commercial sensitivity. However, detailed retrospective disclosure of the financial targets and the sustainability and individual strategic objectives, and performance against them, will be included in next year's Directors' Remuneration Report. As was the case in 2023, the range of financial targets approved for 2024 have been set in the context of current business planning and the current economic outlook. Overall, the targets are considered similarly challenging to those set in prior years in the current market context.

LTIP

Alan Giddins will not be eligible to receive a grant under the LTIP during 2024.

The LTIP award for 2024 for Hannah Nichols, CFO, will be 150% of salary, and for Hooman Caman Javvi, Chief Operating Officer, 125% of salary. The LTIP awards reflect the Committee's view of relative size of the roles. These awards will be subject to performance conditions based on relative TSR and UEPS growth as set out below.

UEPS compound annual growth rate over three years (50% of the award)	TSR* (50% of the award)	Vesting amount
Less than 5%	Below median	0% vesting
5%	Median	20% vesting
14%	Upper quartile	100% vesting

*Relative to the FTSE 250 (excluding investment trusts and financial services companies).

The range of UEPS targets was set having had regard to current business planning, driven by a combination of organic and inorganic growth; the current economic outlook and market expectations for the future performance of the business. Overall, the targets are considered similarly challenging to those set in prior years in the current market context.

The Committee will undertake a final review of the targets and broader terms of the awards prior to grant.

Non-executive Directors

The fees of the Non-executive Directors are reviewed regularly to ensure they are in line with the market and so the Company can attract and retain individuals of the highest calibre.

In December 2023, the Board approved a 4.6% increase to the fees for the Non-executive Directors for 2024 as follows:

	2024	2023
Chair	n/a	£187,450
Non-executive Director	£58,000	£55,455
Senior Independent Director	£10,000	£9,270
Audit Committee Chair	£10,000	£9,270
Nomination Committee Chair	£10,000	£9,270
Remuneration Committee Chair	£10,000	£9,270

Upon appointment of a permanent CEO, the Executive Chair will revert to being the Non-Executive Chair, with fees appropriate to this role.

Tony Quinlan
Chair
11 March 2024

ANNUAL REMUNERATION POLICY REPORT

The Company's Directors' Remuneration Policy (the 'Policy') was approved at the 2023 AGM and took effect from the close of that meeting. The below provides a summary of the Policy, with the full policy as approved by shareholders being included in the Company's 2022 Annual Report and Accounts, which is available at https://hsgroup.com/investors/reports-and-presentations/

Policy table for Directors' base salary

Purpose and link to strategy	To recruit and retain Executive Directors. Provides fixed remuneration for the Executive Directors, which reflects the individual's experience and the size and scope of the Executive's responsibilities.
Operation	Normally reviewed annually and fixed for 12 months. Salaries are determined by the Remuneration Committee taking into account a range of factors, which may include, but are not limited to: • the size and scope of the role; • individual and Group performance; • the range of salary increases (in percentage terms) applied to the wider workforce; • total organisational salary budgets; and • pay levels for comparable roles in companies of a similar size and complexity. Any salary increases may be implemented over such time as the Remuneration Committee deems appropriate.
Maximum opportunity	Ordinarily salary increases will not exceed the range of salary increases awarded to other employees in the Group (in percentage of salary terms). However, salary increases may be above this level in certain circumstances as required, for example to reflect: • increase in scope or responsibility; • performance in role; or • an Executive Director being moved to market positioning over time. No maximum salary opportunity has been set out in this policy report to avoid setting expectations for Executive Directors.
Performance metrics	Not applicable.

Benefits

Purpose and link to strategy	To recruit and retain Executive Directors. Ensures the overall package is competitive. Participation in the SAYE promotes staff alignment with the Group and a sense of ownership.
Operation	Executive Directors are entitled to various benefits including but not limited to, membership of the Group's healthcare scheme, personal accident insurance, ill health, life assurance and car (or equivalent cash allowance). Other benefits may be provided based on individual circumstances. Such benefits may include, but are not limited to expatriate, housing, relocation allowances or overseas tax support. The SAYE is a tax qualifying monthly savings scheme facilitating the purchase of shares at a discount as permitted by the applicable legislation (currently up to a maximum discount of 20%). SAYE options may be exercised in the event of a change of control to the extent permitted by the rules of the scheme. Executive Directors may also participate in any other all-employee share plan adopted by the Company, on the same basis as other qualifying employees.
Maximum opportunity	Whilst the Remuneration Committee has not set an absolute maximum on the level of benefits Executive Directors receive, the value of benefits is set at a level which the Remuneration Committee considers is appropriately positioned against companies of a similar size and complexity in the relevant market and at rates competitive in the area of life, accident, and health insurance. SAYE scheme contribution is permitted in accordance with the relevant tax legislation. The maximum level of participation in any other all-employee share plan will be determined in accordance with the rules of that plan and will be the same for Executive Directors as for other qualifying employees.
Performance metrics	Not applicable.

Pension

Purpose and link to strategy	To recruit and retain Executive Directors and to provide post-retirement benefits.
Operation	The Group may make a payment either into a defined contribution plan or as a separate cash allowance. Group contributions or cash allowances are determined as a percentage of base salary.
Maximum opportunity	An amount as a percentage of base salary not exceeding the typical contribution available in respect of the location of employment of the Director (e.g. currently the typical rate available to the UK-based workforce is 6.5% of salary).
Performance metrics	Not applicable.

Annual bonus

Purpose and link to strategy	Rewards the achievement of annual financial targets and/or the delivery of strategic/individual objectives.
Operation	Performance measures and targets are reviewed and set annually by the Remuneration Committee. Bonus pay out is determined by the Remuneration Committee after the year end, based on audited performance, where appropriate, against those targets. The Remuneration Committee has the discretion to amend the bonus pay out should any formulaic output not produce an appropriate result for either the Executive Directors or the Company, taking account of overall performance, or because the formulaic output is inappropriate in the context of circumstances that were unexpected or unforeseen at the start of the performance period. Where an annual bonus is earned, 50% of the amount earned will be delivered in the form of shares in the Company, deferred for a period of two years. Deferral of any bonus is subject to a de minimis limit of £5,000. At its discretion, the Remuneration Committee may award dividend equivalents to reflect dividends that would have been paid over the deferral period on shares subject to deferred bonuses. These dividend equivalents will ordinarily be paid in shares and may assume the reinvestment of dividends. Deferred bonus awards will vest in the event of a change of control. Malus and clawback provisions apply to the annual bonus as described below this table.
Maximum opportunity	The maximum bonus opportunity is up to 150% of base salary for the CEO and up to 125% of base salary for any other Executive Director.
Performance metrics	The bonus will be based on the achievement of targets related to key business objectives, with the performance measures and respective weightings each year dependent on the Group's strategic priorities. Financial performance measures may include, for example: • measures based on earnings per share; • budgeted profit; • operating margins; • cash conversion; or • return on capital. At least 50% of bonus will be based on financial measures. Subject to the Remuneration Committee's discretion to amend formulaic outputs, for financial targets, normally 0% of the maximum is payable for achieving the threshold performance target (0% below threshold), 50% at the target level of performance and 100% at maximum. For strategic and individual performance measures, bonus will be earned between 0% and 100% of the opportunity based on the Remuneration Committee's assessment of the extent to which the relevant measure has been achieved.

Long Term Incentive Plan ('LTIP')

Purpose and link to strategy	Incentivises Executive Directors to achieve higher returns for shareholders over a longer timeframe. A clawback applies to unvested awards enabling the Company to mitigate risk. The post-vesting holding period aligns the interests of Executive Directors with those of the shareholders over a further period.
Operation	The Remuneration Committee may grant awards as conditional share awards, nil cost share options or forfeitable shares or such other form as has the same economic effect. Awards are typically granted annually and vesting is subject to achievement of performance measures, normally assessed over at least three years. The Remuneration Committee has the discretion to adjust the vesting outcome should any formulaic output not reflect overall performance, or because the formulaic output is inappropriate in the context of circumstances that were unexpected or unforeseen at the grant date, or if there exists any other reason why an adjustment is appropriate. Vested shares are subject to an additional two-year holding period before they are released to the Executive Directors (so that they can exercise the award and acquire them). Alternatively, the Remuneration Committee may grant an award on the basis that the Executive Director can acquire shares following vesting, but that, other than as regards sales of shares to cover tax liabilities, the Executive Director is not permitted to dispose of shares until the end of the two-year holding period. Unvested LTIP awards will vest and be released early on a change of control (or other relevant events), taking into account the extent to which the performance conditions have been satisfied and pro-rating to reflect the proportion of the performance period that has elapsed, although the Remuneration Committee has discretion not to apply time pro-rating. Vested LTIP awards which are subject to a holding period are released, to the extent vested, in the event of a change of control. At its discretion, the Remuneration Committee may award dividend equivalents to reflect dividends that would have been paid over the vesting period and holding period on shares that vest. These dividend equivalents will ordinarily be paid in shares and may assume the reinvestment of dividends. The Remuneration Committee may, at its discretion, structure awards as approved LTIP awards comprising both a tax qualifying option granted under the Executive Share Option Scheme ('ESOS') and an LTIP award. Approved LTIP awards enable the participant and the Company to benefit from tax qualifying option treatment in respect of part of the award, without increasing the pre-tax value delivered to the participant. The approved LTIP awards consist of a tax qualifying option and an LTIP award with the vesting of the LTIP award scaled back to take account of any gain made on exercise of the tax qualifying option. Other than to enable the grant of up to £60,000 (from April 2023) in value of HMRC approved options as part of an approved LTIP award, the Company will not grant awards to Executive Directors under the ESOS. Malus and clawback provisions apply to the entire LTIP as described below.
Maximum opportunity	The annual LTIP maximum in respect of any financial year is: • CEO: 175% of base salary; and • any other Executive Director: 150% of base salary. Shares subject to a tax qualifying option granted as part of an approved LTIP award are not taken into account for the purposes of this limit, because, as referred to in the box under the heading 'Operation', the unapproved LTIP option is scaled back to reflect the gain made on the exercise of the tax qualifying ESOS option.
Performance metrics	Awards vest subject to the achievement of performance measures assessed over the performance period (normally three financial years). The performance measures are reviewed annually to ensure they remain relevant and aligned to the Group's strategy. Performance measures will be based on financial metrics, and/or share price growth related metrics, and/or strategic metrics. Subject to the Remuneration Committee's discretion to amend formulaic outputs, for achievement of the threshold level of performance (the minimum level of performance for vesting to occur) up to 20% of the maximum opportunity will vest for each element. For achievement of maximum performance 100% of the maximum opportunity will vest; there is usually straight-line vesting between threshold and maximum performance. Where an option under the ESOS is granted as part of an Approved LTIP award, the same performance condition applies to the ESOS option as applies to the LTIP award, save as required by the applicable tax legislation.

Shareholding guidelines

Purpose and link to strategy	To encourage strong shareholder alignment both during, and after, employment with the Company.
Operation	Each Executive Director is required to hold 50% of the shares acquired through the LTIP and any deferred bonus plan award (after sales to cover tax and any exercise price) until the value of their total shareholding is equal to 200% of their annual base salary. Shares subject to award under the deferred bonus plan and vested shares subject to awards under the LTIP, which are subject to a holding period count towards the shareholding requirement on a net of assumed tax basis. Shares subject to LTIP awards which are capable of exercise count towards the limit on a net of assumed tax basis. In addition, a post-employment shareholding requirement will apply only to shares acquired pursuant to LTIP and the deferred bonus plan granted in respect of 2020 and future years, but will not apply to shares purchased or acquired pursuant to all employee share plans and will not apply to LTIP or deferred bonus plan awards granted in respect of earlier years. Post-employment each Executive Director is expected to maintain such of their shares, which are subject to the post-employment shareholding policy, as have a value equal to the in-service shareholding guideline (which requires the holding of shares during employment with a value equal to 200% of salary) for a period of two years after leaving. In either case, the number of relevant shares held at leaving must be retained if this is less than the in-service guideline. Share ownership guidelines only apply to permanent Executive Director positions and in exceptional circumstances the Committee may disapply the post-employment share ownership guideline (e.g. death).
Maximum opportunity	Not applicable.
Performance metrics	Not applicable.

Chair and Non-executive fees

Purpose and link to strategy	Fees are set at a level that reflects market conditions and is sufficient to attract individuals with appropriate knowledge and experience.
Operation	Fees are reviewed periodically and are determined by the Board. The fee structure is as follows: • the Chair is paid a single consolidated fee • the Non-executive Directors are paid a basic fee plus additional fees for Chairmanship of a Committee • the Senior Independent Director also receives an additional fee in respect of this role • fees may be paid wholly or partly in shares • additional fees may be paid for taking on additional roles or for additional time commitments. The Non-executive Directors do not participate in any of the Group's share incentive plans, nor do they receive any pension contributions. Non-executive Directors may be eligible to benefits such as the use of secretarial support, travel costs or other benefits that may be appropriate. These benefits may include the reimbursement of any tax liability if they are reimbursed for expenses incurred in the performance of their duties and those expenses are considered taxable benefits.
Maximum opportunity	Fees are subject to an overall cap as set out in the Company's Articles of Association from time to time. Fees are based on the time commitment and responsibilities of the role. Fees are appropriately positioned against comparable roles in companies of a similar size and complexity in the relevant market.
Performance metrics	Not applicable.

Recovery provisions

The Committee may, at any time within two years following the determination of the annual bonus, or two years following vesting of the LTIP, determine that malus and/or clawback shall apply in the event of:

i. a material misstatement in the Group's financial results for the bonus year;
ii. the remuneration committee reasonably determining that the participant has been guilty of gross misconduct;
iii. an error in assessing any applicable performance condition;
iv. reputational damage to the Group;
v. corporate failure; or
vi. a failure of acceptable health and safety standards.

Before the vesting of an LTIP award, the Remuneration Committee may also decide to reduce or cancel the award if any of the above events occur.

Staff at Enduro Composites, Creative Composites Group, US

DIRECTORS' REPORT (OTHER STATUTORY INFORMATION)

Principal activities and Strategic Report

The Company acts as a holding company to all the Group's subsidiaries.

During 2023, the principal activities of the Group comprised the manufacture and supply of:

- Engineered Solutions
- Galvanizing Services
- Roads & Security products and services

Pages 1 to 67 contain further details of these areas of the business and the principal subsidiaries operating within them are set out on pages 201 to 202.

The Executive Chair's letter and the Directors' Strategic Report include:

- information on S172 CA 2006;
- an analysis of the development and performance of the Company's business during the financial year;
- key performance indicators used to measure the Group's performance;
- the position of the Company's business at the end of the financial year;
- a description of the principal risks and uncertainties faced by the Group; and
- the trends and factors likely to affect the future development, performance and position of the Company's business.

Future development

An indication of likely future developments in the Group is given in the Strategic Report on pages 1 to 67.

Statement on corporate governance

The Directors' Report for the year ended 31 December 2023 comprises sections of the Annual Report referred to under 'Strategic Report', and 'Governance Report', which are incorporated into the Directors' Report by reference.

Results (from continuing operations)

The Group profit before taxation for the year amounted to £93.2m (2022: £69.3m). Group revenue at £829.8m, 13% up on 2022 (£732.1m). Operating profit at £103.8m, up 32% on 2022 (£78.5m).

Share capital summary

Exchange trade	The Company's ordinary shares are listed on the Main Market of the London Stock Exchange
Class	Single class of ordinary shares of 25p each
Issued share capital 1 January 2023	80,017,583
Total new ordinary shares issued during the year	177,986
Issued share capital 31 December 2023	80,195,569
Rights and obligations	All issued shares rank equally. Rights and obligations attaching to the Company's shares are set out in the Company's Articles of Association

Further details can be found in note 25 on pages 176 to 177 of the Group Financial Statements.

Details of the results for the year are shown on the Consolidated Income Statement on page 126 and the business segment information is given on pages 140 to 142.

Dividends

The Directors recommend the payment of a final dividend of 28.0p per ordinary share (2022: 22.0p) which, together with the interim dividend of 15.0p per ordinary share (2022:13.0p per ordinary share) paid on 5 January 2024, makes a total distribution for the year of 43.0p per ordinary share (2022: 35.0p per ordinary share). Subject to shareholders approving this recommendation at the AGM, the final dividend will be paid on 5 July 2024 to shareholders on the register at the close of business on 31 May 2024. The latest date for receipt of Dividend Re-investment Plan elections is 14 June 2024.

DIRECTORS' REPORT (OTHER STATUTORY INFORMATION) continued

Share capital

There are no restrictions on the transfer of shares in the Company provided they are fully paid up and the Company does not hold any lien over them, and, as the shares rank equally, none of them carry any special rights with regards to control of the Company. Such equal rights apply to shares acquired through any of the Company's employee share schemes and those shares so acquired carry no lesser or greater rights than shares acquired in the Company in any other way. Accordingly there are no restrictions on voting rights attaching to any shares, whether relating to the level of shareholding or otherwise.

The Company is not aware of any arrangements between shareholders of the Company that may result in restrictions on the transfer of ordinary shares or voting rights.

Resolutions are sought at each AGM to permit the Company to allot, subject to shareholder approval, new shares under specific circumstances. They are a function of addressing funding or share scheme needs and not a tool for employing anti-takeover measures.

In relation to the purchase by the Company of its own shares, the rules relating thereto are set out in the Company's Articles of Association, which state that the Directors' powers to authorise such purchase by the Company are subject to the provisions of the relevant statutes and also the UK Listing Authority requirements, as the Company's shares are listed on the London Stock Exchange. No shares were held in treasury.

Articles of Association

The rules relating to amendment of the Company's Articles of Association are that any change must be authorised by a special resolution of the Company in a general meeting.

Accordingly the following resolutions are to be put to the members of the Company at the Company's AGM each year:

- The authority for making market purchases of shares greater than 5% of the Company's then issued share capital is limited by the resolution of the 2023 AGM and will be limited by the resolution to be put to the 2024 AGM. The prices to be paid for such purchases must be a minimum price of 25 pence per ordinary share (the nominal value) and a maximum price of 5% above the average of the middle market quotations for ordinary shares derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which any such purchase takes place.
- The Companies (Shareholders' Rights) Regulations 2009 provide that a company can reduce the notice period for calling meetings to the shorter period of 14 clear days on two conditions: firstly that the company offers a facility for shareholders to vote by electronic means and secondly that there is an annual resolution of shareholders approving such reduction in the required minimum notice period. Approval to the calling of general meetings other than AGMs on 14 clear days' notice was approved at the AGM on 24 May 2023 to assist the Company in conducting its business and subject to any necessary matters being put to shareholders promptly. This approval remains effective until the earlier of the Company's next following AGM or 22 August 2024.

Substantial shareholdings

As at 31 January 2024, the Company had been notified in accordance with Rule 5 of the Disclosure and Transparency Rules of the Financial Conduct Authority of the following voting rights of the Company:

Shareholder	Number of ordinary shares	% of issued share capital
abrdn	7,792,399	9.71
BlackRock	6,999,927	8.72
JPMorgan Asset Management	3,984,362	4.96
Vanguard Group	3,778,735	4.71
Invesco	3,384,836	4.22
AXA Framlington Investment Managers	3,144,476	3.92

Directors

The names of the Directors of the Company who served throughout the year and who were appointed in January 2024, including brief biographies, are set out on pages 68 to 69.

Directors' interests

The interests of the Directors in the share capital of Hill & Smith PLC, as at 31 December 2023, are set out on pages 100 and 102.

Appointment and replacement of Directors

The appointment and replacement of Directors of the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Acts and related legislation. Directors can be appointed by ordinary resolution at a general meeting or by the Board. If a Director is appointed by the Board, such Director will hold office until the next AGM and shall then be eligible for election at that meeting.

Conflicts

Under the Companies Act 2006 and the provisions of the Company's Articles of Association, the Board is required to consider potential conflicts of interest. The Company has established formal procedures for the disclosure and review of any conflicts, or potential conflicts, of interest, which the Directors may have and for the authorisation of such conflict matters by the Board. To this end, the Board considers and, if appropriate, authorises any conflicts, or potential conflicts, of interest as they arise and reviews any such authorisation annually. New Directors are required to declare any conflicts, or potential conflicts, of interest, to the Board at the first Board meeting after his or her appointment. The Board believes that the procedures established to deal with conflicts of interests are operating effectively.

Directors' and officers' liability

The Company maintains an appropriate level of Directors' and Officers' insurance whereby Directors are indemnified against liabilities to third parties to the extent permitted by the Companies Act 2006.

Financial instruments

The financial risk management objectives and policies are detailed in note 24 on pages 170 to 175.

Research and development

During the year, the Group spent a total of £3.3m (2022: £2.8m) on research and development.

Political and charitable donations

Charitable donations amounting to £98,985 (2022: £62,000) were made in the year, principally to local charities serving the communities in which the Group operates. There were no political contributions.

Employment policies

Details of the Group's employment policies are available on the Company's website.

Change of control/significant agreements

There are no agreements between the Group and its Directors or employees providing for compensation for loss of office or employment that occurs because of a change of control, other than revised notice periods and termination payments for Hannah Nichols.

The Group has a revolving credit facility and unsecured notes, which include change of control provisions. Under these provisions, a change in ownership/control of the Company could result in the withdrawal of these facilities.

All of the Company's share schemes contain provisions relating to a change in control. Outstanding options and awards normally vest and become exercisable on a change of control subject to the satisfaction of any performance conditions at that time.

The Directors consider that there are no contractual, or other, arrangements, such as those with major suppliers, which are likely to materially influence, directly or indirectly, the performance of the business and its values. Furthermore, there are no contracts of significance subsisting during the financial year between any Group undertaking and a controlling shareholder or in which a Director is or was materially interested.

DIRECTORS' REPORT (OTHER STATUTORY INFORMATION) continued

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware: there is no relevant audit information of which the Company's auditor is unaware; each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and have established that the Company's auditor is aware of that information.

Events since 31 December 2023

On 5 January 2024, the Group acquired Capital Steel Service for cash consideration of £5.0m. Located in Trenton, New Jersey, Capital Steel supplies structural steel products and services into the electrical transmission and distribution market across the US East Coast.

On 7 March 2024, the Group acquired FM Stainless for cash consideration of £6.6m. Located in Ellijay, Georgia, FM Stainless, manufactures stainless steel pipe supports and fasteners, serving a range of growth end markets including water and wastewater treatment.

Annual General Meeting

The Annual General Meeting of the Company will be held at 11.00 a.m. on Thursday 23 May 2024 at Cranmore Park Conference, Event & Exhibition Centre, Cranmore Avenue, Shirley, West Midlands, B90 4LF, United Kingdom. Notice is sent to shareholders separately with this Report, together with an explanation of the special business to be considered at the meeting and is also available on the Company's website at www.hsgroup.com.

Other important dates can be found in the Financial Calendar on page 199.

By order of the Board

Alex Henderson
Company Secretary
11 March 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement of Directors' Responsibilities in respect of the Annual Report, Strategic Report, The Directors' Report and the Financial Statements

The Directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the Group and Parent Company Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law, they are required to prepare the Group Financial Statements in accordance with UK-adopted International Accounting Standards and applicable law and have elected to prepare Parent Company Financial Statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework. Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with UK adopted international accounting standards;
- for the Parent Company Financial Statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company Financial Statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual Financial Report

We confirm that, to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face. We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board.

Alex Henderson
Group Company Secretary
11 March 2024

OPINION

In our opinion:

- Hill & Smith PLC's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Hill & Smith PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise:

Group	Parent Company
Consolidated Income Statement	Company Balance Sheet
Consolidated Statement of Comprehensive Income	Company Statement of Changes in Equity
Consolidated Statement of Financial Position	Related notes 1 to 16 to the financial statements including a summary of significant accounting policies
Consolidated statement of Changes in Equity	
Consolidated Statement of Cash Flows	
Related notes 1 to 29 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework".

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We understood the process undertaken by management to perform the going concern assessment, including the evaluation of the ongoing impact of the cost of living crisis and other current global macro-economic factors on the Group and the Group's access to available sources of liquidity;
- We obtained management's going concern assessment, including the cash flow forecasts and covenant calculations for the going concern period to 30 June 2025. We verified these forecasts were consistent with the Board approved forecasts ensuring the operating profit, working capital adjustments and resultant cashflows in the going concern assessment matched those in the forecasts. The Group has modelled a base case, which is consistent with the assumptions used in the Group's impairment assessments. Additionally, two primary reverse stress tests have been modelled, which determine a) the additional revenue downside which could be absorbed before the Group runs out of liquidity and b) the revenue downside which would be required for the Group to breach its financial covenants under its core borrowing facilities;
- We obtained the signed agreements, including for the new extension to the revolving credit facility signed during the year, for the Group's credit facilities and read these to confirm the terms of these, including the level of facilities and basis of covenants were consistent with those considered in management's assessment;
- We assessed the reasonableness of the key assumptions underpinning the Group's forecasts in the context of other supporting evidence gained from our audit procedures on goodwill impairment reviews including trends in Group performance and other external market studies and data, such as analyst and industry forecasts. In particular, we assessed the achievability of the revenue projections in management's base case and downside scenario to the Group's performance and external industry forecasts;
- We assessed the historical accuracy of management's forecasting for the past six years, by comparing the Group's actual results to Board approved budgets and re-forecasts to further challenge the prospective financial information included in the going concern assessment;
- We sensitised management's assessments using our own independently developed assumptions for a severe but plausible downside impact and confirmed these sensitivities did not give rise to any breach of covenants or the Group running out of liquidity;
- We scrutinised the results of management's reverse stress test scenario and assessed whether the changes to key assumptions which resulted in the Group either exhausting all of its liquidity or breaching covenants on the Group's borrowing facilities were plausible.

This was achieved by considering the drop in revenues required for the Group to either run out of liquidity or breach covenants and comparing this reduction to the fall in the Group's actual results achieved through the course of the pandemic. We also considered mitigating actions, assessing whether they were within management's control and whether they were supported by historical actual mitigation achieved;

- We tested the clerical accuracy of the models used to prepare the Group's going concern assessment through re-computation of the models; and
- We sensitised management's assessment with the impact of climate change based on their latest costed plan; and
- We ensured the appropriateness of the Group's disclosures concerning the going concern basis of preparation by verifying these met regulatory and legislative requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period to 30 June 2025.

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

OVERVIEW OF OUR AUDIT APPROACH

Audit scope	• We performed an audit of the complete financial information of four trading components and one non-trading component and audit procedures on specific balances for a further 14 components. • The components where we performed full or specific audit procedures accounted for 99% of operating profit, 95% of Revenue and 74% of Total assets.
Key audit matters	• Revenue recognition – the risk of management override through inappropriate manual journals to revenue or inappropriate revenue cut-off • Carrying value of goodwill in relation to ATG Access, Prolectric and Hill & Smith Inc. • Risk of inappropriate inventory valuation
Materiality	• Overall Group materiality of £5.2m which represents 5% of operating profit.

AN OVERVIEW OF THE SCOPE OF THE PARENT COMPANY AND GROUP AUDITS

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of group-wide controls, changes in the business environment, other factors such as recent Internal audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we selected 46 components covering entities within the UK, US, and India which represent the principal business units within the Group.

Of the 46 components selected, we performed an audit of the complete financial information of five components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 14 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 99% (2022: 98%) of the Group's operating profit 97% (2022: 99%) of the Group's revenue and 96% (2022: 99%) of the Group's total assets.

For the current year, the five full scope components contributed 57% (2022: 57%) of the Group's operating profit 47% (2022: 48%) of the Group's Revenue and 40% (2022: 42%) of the Group's total assets.

The 14 specific scope components contributed 42% (2022: 31%) of the Group's operating profit 48% (2022: 46%) of the Group's revenue and 34% (2022: 29%) of the Group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. For a further four trading components, we performed specified procedures which as a minimum, included procedures over revenue and cash at all four components

Of the remaining three trading components that together represent 1% of the Group's operating profit none are individually greater than 1% of the Group's operating profit. For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

	Components		Adjusted operating profit		Revenue		Total assets	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Full scope	**5**	6	**57%**	57%	**47%**	48%	**40%**	42%
Specific scope	**14**	13	**42%**	31%	**48%**	46%	**34%**	29%
Specified procedures over trading components	**4**	6	**7%**	5%	**5%**	8%	**6%**	12%
Specified procedures over non-trading components and consolidation adjustments	**23**	23	**(7%)**	5%	**(3%)**	(3%)	**15%**	16%
Overall coverage			**99%**	98%	**97%**	99%	**96%**	99%

The audit scope of the specific scope components included in the table above may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

INVOLVEMENT WITH COMPONENT TEAMS

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the five full scope components, audit procedures were performed on two of these directly by the primary audit team. Of the 14 specific scope components, audit procedures were performed on 11 of these directly by the primary audit team.

For the remaining three full scope and three specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits the overseas full scope component locations on a rotational basis. During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams in the US. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, visiting subsidiary operational sites, attending closing meetings and reviewing key audit working papers.

The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed relevant working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

CLIMATE CHANGE

Stakeholders are increasingly interested in how climate change will impact the Group. The Group has determined that the most significant future impacts from climate change on their operations will be from transitioning to a lower-carbon economy (transition risk) and the physical risk resulting from climate change, whether event driven or longer-term shifts in climate patterns (physical risk). These are explained on pages 48 to 51 in the required Task Force for Climate related Financial Disclosures and on page 61 in the principal risks and uncertainties. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we review management's assessment of the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in their Group Accounting Policies note how they have reflected the impact of climate change in their financial statements and in their Sustainability Plan and how this aligns with their commitment to the aspirations of the Paris Agreement to achieve a carbon net zero target by 2040 for Scopes 1 and 2 . Governmental and societal responses to climate change risks are still developing with likely larger impact felt in the future as these crystallise, and, as a result, the Group currently continues to monitor the future economic impact on their business model, operational plans, suppliers and customers to achieve this. Therefore, as set out above, the potential future impacts are determined to have a limited impact on the current year financial statements.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on page 61 and whether these have been appropriately reflected in judgements and estimates following the requirements of UK adopted international accounting standards. This included challenging Management's assessment that the most relevant impact of climate risks related to assets with indefinite and long lives and whether the carrying value of these assets could be impacted by measures taken to address global warming. As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations and completeness of climate change risks in their assessment of going concern and viability and associated disclosures.

Based on our work, whilst we have not identified the impact of climate change on the financial statements to be a standalone key audit matter, we have considered the impact on the following key audit matter: Carrying value of goodwill in relation to ATG Access, Prolectric and Hill & Smith Inc. Details of the impact, our procedures and findings are included in our explanation of key audit matters below.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition – the risk of management override through inappropriate manual journals to revenue or inappropriate revenue cut-off (£829.8m, 2022: £732.1m)	Procedures to respond to this risk were performed by both the primary audit team and component teams.	
Cut-off	**Cut-off**	
There is a risk of inappropriate revenue recognition if deliveries or revenue from the provision of services are recorded in the wrong period. This includes any estimation of revenue recorded over time and completion of projects.	We performed the following audit procedures at four full and 14 specific scope locations where revenue is in scope. Revenue at these locations represents 95% of the total revenue balance of £829.8m. These procedures were additionally performed at the three trading components at which we performed specified procedures, representing a further 5% of the total revenue balance before intra-group eliminations. We performed walkthroughs of the process by which revenue is recognised and recorded at the four full and 14 specific scope locations. For all trading components at which we performed specified procedures, data analytics procedures were performed over the correlation of sales and cash receipts to test the existence and occurrence of revenue being recorded in the correct period. We performed cut-off testing procedures at each of the full and specific scope locations to confirm the transactions had been appropriately recorded in the income statement with reference to IFRS 15 and corroborated that control of the products had been transferred to the customer by: • analysing the contract and terms of the sale to determine that the Group had fulfilled the requirements of the contract and earned the right to revenue at the balance sheet date; • confirming revenue could be reliably measured by reference to underlying documentation; and • obtaining third party evidence such as delivery documentation and evidence of customer acceptance at the year-end date to verify the revenue had been recorded in the correct period. For Engineered Solutions revenue earned on provision of installation services, for a sample of items we obtained evidence from the customer to confirm the stage of completion of the installation at the year-end to corroborate revenue was recognised in the correct period and reflective the level of installation that has taken place in the year. Where the Group recognises revenue over time on non-standard products, we confirmed for a sample of transactions the Group's right to payment for these products by agreeing to the terms and conditions of the signed sales contract to ensure the requirements of IFRS 15 had been met to recognise revenue in the current period. We also enquired of operational personnel and inspected inventory ledgers and bill of materials to confirm the products were non-standard and that significant re-work would be required for the product to be sold via other means. We examined post year end credit notes to assess any evidence of inappropriate revenue recognition cut-off for the year ended 31 December 2023. For all locations we performed analytical procedures to compare revenue recognised with our expectations, management's forecasts and, where possible, external market data.	Our audit procedures did not identify evidence of material misstatements related to revenue recognition and we found no evidence of management bias.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Management override As revenue is a key performance indicator for external communication and a key input into management's earnings based incentives, we also identified a risk of management override through inappropriate manual topside revenue journal entries being processed. The level of risk associated to this key audit matter is unchanged from the prior year.	**Management override** At all in scope components we obtained and reviewed break downs of all manual journals and for all material revenue journals and a sample of non-material revenue journals we agreed the journal entries to underlying documentation to verify the appropriateness of the revenue being recognised. We assessed for evidence of management bias by testing all material manual journals either side of the year end and agreeing journal entries to appropriate supporting evidence. Revenue at these in scope components represents 94% of the total revenue balance. For all components we performed analytical procedures to compare revenue recognised with our expectations, management's forecasts and, where possible, external market data.	Our procedures performed did not identify any unsupported manual adjustments to revenue or any unexplained anomalies from our revenue analytics.
Carrying value of goodwill in relation to ATG Access (£4.7m, 2022: £4.7m), Prolectric (£5.5m, 2022: £5.5m), and Hill & Smith Inc. (£8.7m, 2022: £9.2m) Subsequent to Covid-19 and a substantial reduction in demand for ATG Access' security solutions there was initial uncertainty in the ability of the entity to recover resulting in historic impairments. Management have assessed no further impairment is necessary in the current year. Prolectric, originally acquired in 2021, has had a track record of growth until the current year. A combination of a slow down in their industry, and operational challenges has reduced headroom and increased sensitivity applicable to this CGU. Hill & Smith Inc. manufactures and sells a range of traffic management solutions as well as the sale and rental of crash prevention products. The Hill & Smith Inc CGU performance was not line with management's forecasts nor market expectations during 2022. Actions were taken to improve future trading performance which have been slow to realise in the current year. The impact on short term cash flows means there is reduced headroom and increased sensitivity applicable to this CGU. The estimated recoverable amount for CGUs is subjective due to the inherent uncertainty involved in forecasting future growth and profitability of the CGUs and the rate at which the cash flows generated by the CGUs should be discounted. A relatively small change in key assumptions could give rise to a material change in the estimated recoverable amount of goodwill. The effect of these matters is that, as part of our risk assessment, we determined that the value in use of goodwill has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Financial Statements as a whole. The Financial Statements (Note 13) disclose the sensitivity estimated by the Group.	We examined management's methodology and the model used for assessing the valuation of the ATG Access, Prolectric and Hill & Smith Inc CGUs to understand the composition of future cash flow forecasts and the process undertaken to prepare them. We checked the underlying cash flows were consistent with the Board approved budgets. We also re-performed the calculations in the model to test the mathematical integrity. We performed detailed testing with support from our valuation specialists to critically assess and corroborate the key inputs of the forecast cash flows including: • independently constructing our own expectation of the discount rates for a market participant from first principles using input from our internal specialist valuations team; • analysing the historical accuracy of budgets versus actual results to determine the reliability of cash flow forecasting based on past experience; • assessing the achievability of the budget and strategic plan results by considering factors including historic results, and performance since lockdowns, drivers of growth, reasonableness of margins, etc.; • challenging the medium and long-term forecast growth rates used by considering evidence available such as industry and country forecasts and inflation data; and • analysed available information to identify any contrary evidence, including views provided in analyst reports, and specifically for Hill & Smith Inc., market studies. • assessing the impact of climate change on future forecasts, and how it has been included in each assessment. This included challenging the completeness of Management's climate change "costed plan" which considers the financial impact of their climate related commitments. Specifically for each CGU, we further focused on: • For ATG Access, we understood and assessed the key trading assumptions; • For Prolectric, we discussed with our internal specialists if there were any contra indicators to the level of growth forecast by management in their forecasts; • For Hill & Smith Inc. we benchmarked expectations around future growth rates with externally produced market studies, and challenged if it was feasible for these growth rates to be applied to the business. • We further challenged the achievability of management's planned turnaround actions and considered the timing and feasibility of completing these. We assessed the disclosures in respect of goodwill and intangibles with reference to the requirements of IAS 36 and confirmed their consistency with the audited impairment models. We challenged the completeness of a range of scenarios considered in the sensitivity analysis undertaken by management. We assessed whether the disclosures in relation to the key assumptions around Hill & Smith Inc were adequate given the sensitivity of the level of headroom to possible changes in these key assumptions. The audit procedures performed to address this risk have been performed by the primary audit team.	Our year end audit procedures did not identify evidence of material misstatement regarding the carrying value of goodwill in the Group. All three CGUs are sensitive to reasonably possible changes in key assumptions. Management describes these sensitivities appropriately in the intangible asset Note 13 in accordance with the requirements of IAS 36

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of inappropriate inventory valuation (£106.1m, 2022: £113.8m) The valuation of inventory across the Group is dependent on establishing appropriate valuation processes. The establishment of standard costing bases and the assessment of how much excess and obsolete inventory exists requires judgement to be applied in finalising the inventory valuation and level of provisioning required. If these judgements are not appropriate then there is a risk that inventory is incorrectly valued. The level of risk associated to this key audit matter is unchanged from the prior year.	Procedures to respond to this risk were performed by both the primary audit team and component teams. We performed the following audit procedures at four full, 12 specific scope, and one specified procedures component where inventory is in scope. Inventory at these components represents 90% of the total inventory balance. We performed walkthroughs of inventory valuation methods at each of the four full, and 12 specific scope components where inventory was in scope. We performed tests of detail for a sample of inventory items at all components to check the accumulation of cost within inventory and to confirm the valuation reflected the products' stage of completion. We agreed our samples from the year-end inventory counts which we attended to the inventory subledger and performed roll forward procedures to year end. Of the components in scope for inventory, we were able to physically attend all counts. We obtained evidence to support the standard costs used and performed procedures to assess whether only normal production variances had been capitalised in the year-end inventory balance and material abnormal inefficiencies had been appropriately expensed. This included comparing actual production rates to budget. We obtained evidence to support that inventory is held at the lower of cost and net realisable value by assessing the adequacy of excess and obsolete provisions held against inventory. This included comparing forecast product usage to customer orders, considering historical usage, historical accuracy of provisioning and understanding management's future plans to utilise the inventory. We performed clerical procedures on the formulaic calculations to evaluate the accuracy of the inventory provisioning. On occasion, management makes adjustments to the formulaic provision calculations. We evaluated the assumptions and judgements applied by management in determining the provision recorded in the Financial Statements.	The basis for the year-end inventory valuation and the assumptions used in assessing the adequacy of the excess and obsolete inventory provisions across the Group is considered appropriate. Our audit procedures confirmed variances between standard and actual costs and the overheads absorbed in the inventory valuation had been appropriately calculated and accounted for.

In the prior year, our auditor's report included a key audit matter in relation to the carrying value of goodwill for the Parking Facilities CGU. This is not included in the current year key audit matter, as there is no Goodwill remaining.

Given the current sensitivities surrounding the headroom of the Prolectric CGU, as disclosed in Note 13, this year, more audit effort has been focused on the impairment assessment related to this CGU. Therefore, this CGU has specifically been included in the key audit matter relating to the carrying value of goodwill and intangible assets.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £5.2 million (2022: £4.1 million), which is 5% (2022: 5%) of operating profit. We believe that operating profit provides us with the most relevant performance measure to the stakeholders of the Group as it excludes material non-recurring items and therefore have determined materiality based on this number.

We initially calculated materiality for the Group to be £5.3m based on 5% of forecast operating profit. The final results were lower than management's initial forecast. Therefore, we reassessed final materiality to be £5.2m based on 5% of actual reported operating profit. We completed our audit procedures using this lower level of final materiality.

We determined materiality for the Parent Company to be £5.3m (2022: £4.9m), which is 1.5% (2022: 1.5%) of equity.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2022: 75%) of our planning materiality, namely £3.9m (2022: £3.0m). We have set performance materiality at this percentage due to our expectation of misstatements being low.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.4m to £2.5m (2022: £0.3m to £1.8m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.3m (2022: £0.2m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

OTHER INFORMATION

The other information comprises the information included in the annual report set out on pages 1 to 116, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

CORPORATE GOVERNANCE STATEMENT

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 81;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 82;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 82;
- Directors' statement on fair, balanced and understandable set out on page 82;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 81;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 81; and
- The section describing the work of the audit committee set out on page 86.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 117, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the Financial Statements are those that relate to the reporting framework (UK adopted international accounting standards, the Companies Act 2006 and the UK Corporate Governance Code). In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the Financial Statements being the Listing Rules of the UK Listing Authority, the US Foreign Corrupt Practices Act, Swedish, French and Indian Companies Act legislation, and those laws and regulations relating to health & safety and employee matters.
- We understood how Hill & Smith PLC is complying with those frameworks by making enquiries of management, Internal Audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies. We also observed the oversight of those charged with governance, the culture of honest and ethical behaviour and whether a strong emphasis is placed on fraud prevention and deterrence, which may reduce opportunities for fraud to take place.
- We assessed the susceptibility of the Group's Financial Statements to material misstatement, including how fraud might occur, by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the Financial Statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; scrutiny of management specialist reports; enquiries of internal and external legal counsel, Group management, Internal Audit, full and specific scope component management; and focused testing, as referred to in the key audit matters section above.
- Component teams reported any non-compliance with laws and regulations through their audit deliverables based on the procedures detailed in the previous paragraph. Further, the Group team communicated any instances of non-compliance with laws and regulations to component teams through regular interactions with local EY teams. There were no instances of non-compliance with laws and regulations which were concluded to be not more than inconsequential.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

OTHER MATTERS WE ARE REQUIRED TO ADDRESS

- Following the recommendation from the audit committee we were appointed by the Company on 17 October 2023 to audit the financial statements for the year ending 31 December 2023 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is 4 years, covering the years ending 31 December 2020 to 31 December 2023.
- The audit opinion is consistent with the additional report to the audit committee.

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen McLeod-Jones
(Senior statutory auditor)

for and on behalf of Ernst & Young LLP,
Statutory Auditor
Birmingham

11 March 2024

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2023

	Notes	2023 Underlying £m	2023 Non-underlying* £m	2023 Total £m	2022 Underlying £m	2022 Non-underlying* £m	2022 Total £m
Continuing Operations							
Revenue	3	**829.8**	**–**	**829.8**	732.1	–	732.1
Cost of sales		**(513.1)**	**–**	**(513.1)**	(461.6)	–	(461.6)
Gross profit		**316.7**	**–**	**316.7**	270.5	–	270.5
Distribution costs		**(24.7)**	**–**	**(24.7)**	(31.7)	–	(31.7)
Administrative expenses		**(169.9)**	**(18.7)**	**(188.6)**	(142.0)	(18.6)	(160.6)
Other operating income		**0.4**	**–**	**0.4**	0.3	–	0.3
Operating profit	3, 4	**122.5**	**(18.7)**	**103.8**	97.1	(18.6)	78.5
Financial income	7	**0.5**	**–**	**0.5**	0.5	–	0.5
Financial expense	7	**(11.1)**	**–**	**(11.1)**	(9.7)	–	(9.7)
Profit before taxation		**111.9**	**(18.7)**	**93.2**	87.9	(18.6)	69.3
Taxation	9	**(27.6)**	**3.2**	**(24.4)**	(19.7)	3.7	(16.0)
Profit for the year from continuing operations		**84.3**	**(15.5)**	**68.8**	68.2	(14.9)	53.3
Discontinued Operations							
Profit from discontinued operations	10	**–**	**–**	**–**	5.2	(1.8)	3.4
Profit for the year attributable to the owners of the parent		**84.3**	**(15.5)**	**68.8**	73.4	(16.7)	56.7
Basic earnings per share	11			**86.0p**			71.0p
Basic earnings per share – continuing	11			**86.0p**			66.7p
Diluted earnings per share	11			**85.0p**			70.4p
Diluted earnings per share - continuing	11			**85.0p**			66.2p

* The Group's definition of non-underlying items is included in the Group Accounting Policies on page 137 and further details on non-underlying items are included in note 5.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	2023 £m	2022 £m
Profit for the year		**68.8**	56.7
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of overseas operations	24	**(19.4)**	27.4
Exchange differences on foreign currency borrowings designated as net investment hedges	24	**4.2**	(4.8)
Items that will not be reclassified subsequently to profit or loss			
Actuarial loss on defined benefit pension schemes	27	**(0.4)**	(2.8)
Taxation on items that will not be reclassified to profit or loss	9	**0.1**	0.7
Other comprehensive (loss)/income for the year		**(15.5)**	20.5
Total comprehensive income for the year attributable to owners of the parent		**53.3**	77.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 £m	2022 £m
Non-current assets			
Intangible assets	13	**205.7**	182.6
Property, plant and equipment	14	**184.4**	186.3
Right-of-use assets	16	**41.8**	38.7
Corporation tax receivable	9	**1.6**	1.6
Deferred tax assets	17	**0.4**	0.1
	3	**433.9**	409.3
Current assets			
Assets held for sale	15	**2.5**	1.8
Inventories	18	**106.1**	113.8
Trade and other receivables	19	**137.3**	144.3
Current tax assets		**0.8**	0.3
Cash and cash equivalents	20	**34.4**	24.8
		281.1	285.0
Total assets	3	**715.0**	694.3
Current liabilities			
Trade and other liabilities	21	**(119.6)**	(120.8)
Current tax liabilities		**(3.9)**	(8.6)
Provisions	23	**(6.6)**	(3.7)
Lease liabilities	16	**(8.0)**	(8.7)
Loans and borrowings	21	**(1.4)**	(0.3)
		(139.5)	(142.1)
Net current assets		**141.6**	142.9
Non-current liabilities			
Other liabilities	22	**(1.0)**	(0.2)
Provisions	23	**(2.6)**	(2.7)
Deferred tax liabilities	17	**(9.9)**	(11.6)
Retirement benefit obligations	27	**(4.1)**	(7.2)
Lease liabilities	16	**(35.7)**	(30.6)
Loans and borrowings	22	**(97.7)**	(104.9)
		(151.0)	(157.2)
Total liabilities		**(290.5)**	(299.3)
Net assets		**424.5**	395.0
Equity			
Share capital	25	**20.0**	20.0
Share premium		**44.6**	42.8
Other reserves		**4.9**	4.9
Translation reserve		**22.9**	38.1
Retained earnings		**332.1**	289.2
Total equity		**424.5**	395.0

Approved by the Board of Directors on 11 March 2024 and signed on its behalf by:

AC Giddins
Director

HK Nichols
Director

Company Number: 671474

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Notes	Share capital £m	Share premium £m	Other reserves† £m	Translation reserve £m	Retained earnings £m	Total equity £m
At 1 January 2022		20.0	40.9	4.9	15.5	258.3	339.6
Comprehensive income							
Profit for the year		–	–	–	–	56.7	56.7
Other comprehensive income for the year		–	–	–	22.6	(2.1)	20.5
Transactions with owners recognised directly in equity							
Dividends	12	–	–	–	–	(24.7)	(24.7)
Credit to equity of share-based payments	25	–	–	–	–	2.4	2.4
Own shares held by employee benefit trust		–	–	–	–	0.5	0.5
Satisfaction of long-term incentive and deferred bonus awards		–	–	–	–	(0.9)	(0.9)
Tax taken directly to the Consolidated Statement of Changes in Equity	9	–	–	–	–	(1.0)	(1.0)
Shares issued	25	–	1.9	–	–	–	1.9
At 31 December 2022		**20.0**	**42.8**	**4.9**	**38.1**	**289.2**	**395.0**
Comprehensive income							
Profit for the year		**–**	**–**	**–**	**–**	**68.8**	**68.8**
Other comprehensive income for the year		**–**	**–**	**–**	**(15.2)**	**(0.3)**	**(15.5)**
Transactions with owners recognised directly in equity							
Dividends	12	**–**	**–**	**–**	**–**	**(28.0)**	**(28.0)**
Credit to equity of share-based payments	25	**–**	**–**	**–**	**–**	**3.7**	**3.7**
Own shares held by employee benefit trust		**–**	**–**	**–**	**–**	**(1.6)**	**(1.6)**
Satisfaction of long-term incentive and deferred bonus awards		**–**	**–**	**–**	**–**	**(1.0)**	**(1.0)**
Tax taken directly to the Consolidated Statement of Changes in Equity	9	**–**	**–**	**–**	**–**	**1.3**	**1.3**
Shares issued	25	**–**	**1.8**	**–**	**–**	**–**	**1.8**
At 31 December 2023		**20.0**	**44.6**	**4.9**	**22.9**	**332.1**	**424.5**

† Other reserves represent the premium on shares issued in exchange for shares of subsidiaries acquired and £0.2m (2022: £0.2m) capital redemption reserve.

At 31 December 2022 a total of 75,438 shares were held in an employee benefit trust for the purpose of settling awards granted to employees under equity-settled share based payment plans. The cost of these shares, amounting to £1.3m, was included within retained earnings at that date. During 2023, 40,275 shares have been issued in settlement of awards to employees and a further 121,321 shares purchased, leaving 156,484 shares held at 31 December 2023, at a cost of £2.9m included within retained earnings.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 £m	2023 £m	2022 £m	2022 £m
Profit before tax from continuing operations			**93.2**		69.3
Profit before tax from discontinued operations	10		**–**		4.9
Add back net financing costs	7, 10		**10.6**		9.3
Operating profit – Total Group	3, 4, 10		**103.8**		83.5
Adjusted for non-cash items:					
Share-based payments	6, 25	**4.1**		2.0	
Loss on disposal of subsidiaries	5	**4.2**		1.4	
Loss on disposal of non-current assets	8	**0.2**		0.3	
Gain on disposal of assets held for sale	15	**(0.7)**		–	
Depreciation of owned assets	8, 14	**19.7**		19.1	
Amortisation of intangible assets	8, 13	**9.6**		8.3	
Right-of-use asset depreciation	8, 16	**9.3**		8.8	
Gain on lease termination	16	**(0.1)**		–	
Impairment of non-current assets	5, 8, 14, 16	**1.3**		6.4	
			47.6		46.3
Operating cash flow before movement in working capital			**151.4**		129.8
Decrease/(increase) in inventories		**15.0**		(21.0)	
Decrease/(increase) in receivables		**8.0**		(19.1)	
Decrease in payables		**(0.2)**		(2.5)	
Decrease in provisions and employee benefits		**(0.8)**		(4.3)	
Net movement in working capital			**22.0**		(46.9)
Cash generated by operations			**173.4**		82.9
Purchase of assets for rental to customers			**(2.3)**		(10.6)
Income taxes paid			**(31.7)**		(15.5)
Interest paid			**(8.9)**		(6.4)
Interest paid on lease liabilities			**(1.3)**		(0.8)
Net cash from operating activities			**129.2**		49.6
Interest received		**0.5**		0.5	
Proceeds on disposal of non-current assets		**0.8**		0.4	
Proceeds on disposal of assets held for sale		**2.5**		–	
Purchase of property, plant and equipment		**(26.7)**		(18.4)	
Purchase of intangible assets		**(2.8)**		(2.5)	
Acquisitions of subsidiaries	13	**(48.4)**		(24.6)	
Deferred consideration in respect of prior year acquisition		**(2.8)**		–	
Disposals of subsidiaries	5	**(0.2)**		58.6	
Net cash used in investing activities			**(77.1)**		14.0
Issue of new shares	25	**1.8**		1.9	
Purchase of shares for employee benefit trust	20	**(2.6)**		(0.4)	
Dividends paid	12	**(28.0)**		(24.7)	
Costs associated with refinancing		**(0.5)**		(2.1)	
Repayment of lease liabilities	20	**(9.4)**		(9.5)	
New loans and borrowings	20	**73.9**		160.8	
Repayment of loans and borrowings	20	**(76.3)**		(184.8)	
Net cash used in financing activities			**(41.1)**		(58.8)
Net increase in cash and cash equivalents net of bank overdraft			**11.0**		4.8
Cash and cash equivalents net of bank overdraft at the beginning of the year			**24.8**		18.1
Effect of exchange rate fluctuations			**(1.4)**		1.9
Cash and cash equivalents net of bank overdraft at the end of the year	20		**34.4**		24.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GROUP ACCOUNTING POLICIES

Hill & Smith PLC is a company incorporated in the UK. The consolidated financial statements of Hill & Smith PLC and its subsidiaries (the "Group") are presented for the year ended 31 December 2023.

The Group Financial Statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK-adopted International Financial Reporting Standards. The Company has elected to prepare its Parent Company Financial Statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"); these are presented on pages 187 to 197.

The Accounting Policies set out below have, unless otherwise stated, been applied consistently in all periods presented in these Group Financial Statements except that to better reflect operational activities, we have voluntarily changed the accounting policy for transportation costs relating to temporary road barrier rental to include them in cost of sales rather than distribution costs. This change has been applied prospectively from 1 January 2023, as the impact on the prior year comparatives of £5.5m was not considered sufficiently material to require restatement. Judgements made by the Directors in the application of these Accounting Policies that have a significant effect on the Group Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Basis of preparation

The consolidated financial statements comprise the financial statements of the Company, Hill & Smith PLC, and its subsidiaries as at 31 December 2023. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the Group Financial Statements from the date that control commences until the date that control ceases.

In preparing the consolidated financial statements, management has considered the impact of climate change, taking into account the relevant disclosures in the Strategic Report, including those made in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosures. This included an assessment of assets with indefinite and long lives and how they could be impacted by measures taken to address global warming. As outlined in the Operational and Financial Review on page 23, physical climate change presents a relatively low risk to the Group's future business operations and transition risks are also expected to have a relatively low impact when considered together with the mitigating actions that the Group intends to take. As such, no issues were identified that would impact the carrying values of such assets or have any other impact on the financial statements.

Measurement convention

The Group Financial Statements are prepared on the historical cost basis except where the measurement of balances at fair value is required as explained below. The Group Financial Statements are presented in Sterling and all values are stated in million (£m) rounded to one decimal place, except where otherwise indicated.

Going concern and liquidity risk

In determining the appropriate basis of preparation of its financial statements, the Directors are required to assess whether the Group can continue in operational existence for the foreseeable future. When making this assessment, the Group considers whether it will be able to maintain adequate liquidity headroom above the level of its borrowing facilities and to operate within the financial covenants on those facilities.

At 31 December 2023, the Group had £307.3m of committed borrowing facilities, of which only £2.1m matures before June 2026 at the earliest, and a further £6.6m of on-demand facilities. During the year the Group extended the maturity of its core £250m revolving credit facility by one year to November 2027. The Group also holds $70m of Senior Unsecured Notes, and other local committed borrowing facilities of £2.1m. The amount drawn down under these committed facilities at 31 December 2023 was £101.1m, which together with cash and cash equivalents of £34.4m gave total headroom of £247.2m (£240.6m committed, £6.6m on demand). The Group has not made any changes to its principal borrowing facilities between 31 December 2023 and the date of approval of these financial statements. The only significant changes to liquidity headroom during that period were the acquisitions of Capital Steel, which the Group completed in January 2024 for an initial consideration of £5.0m, and FM Stainless, which the Group acquired in March 2024 for £6.6m. Substantial headroom against borrowing facilities remains in place post these acquisitions.

The principal borrowing facilities are subject to covenants that are measured biannually in June and December, being net debt to EBITDA of a maximum of 3.0x and interest cover of a minimum of 4.0x, based on measures as defined in the facilities agreements which are adjusted from the equivalent IFRS amounts. The ratio of net debt to EBITDA at 31 December 2023 was 0.4 times and interest cover was 17.3 times. Note 24 to the Financial Statements sets out more information on the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit and liquidity risk.

The Group has carefully modelled its cash flow outlook for the period to 30 June 2025. The assessment included a review of both divisional and Group financial forecasts, financial instruments and hedging arrangements for the 18 months from the balance sheet date. Major assumptions have been compared to external reference points such as infrastructure spend forecasts across the Group's chosen market sectors, government spending plans on road and other infrastructure, zinc and steel prices, and economic growth forecasts. In this 'base case' scenario, the forecasts indicate significant liquidity headroom will be maintained above the Group's borrowing facilities and financial covenants will be met throughout the period, including the covenant tests at 30 June 2024, 31 December 2024 and 30 June 2025.

The Group has carried out stress tests against the base case to determine the performance levels that would result in a breach of covenants or a reduction of headroom against its borrowing facilities to nil. For a breach of covenants to occur during the relevant period, the Group would need to experience a sustained revenue reduction of 27% compared with current expectations throughout the 18 month period ending 30 June 2025. A reduction in headroom against borrowing facilities to nil would occur if the Group experienced a sustained revenue reduction of 31% compared with current expectations for the 18 month period ending 30 June 2025. The Directors do not consider any of these scenarios to be plausible given the generally positive outlook across the infrastructure markets in which the Group operates. The Directors also noted the Group's ability to continue its operations throughout the COVID-19 pandemic, noting that revenues fell by only 22% in the second quarter of 2020, the worst-affected period.

1. GROUP ACCOUNTING POLICIES continued

Furthermore, the Group has several mitigating actions under its control including minimising capital expenditure to critical requirements, reducing levels of discretionary spend, rationalising its overhead base and curtailing future dividend payments which, although not forecast to be required, could be implemented in order to be able to meet the covenant tests and to continue to operate within borrowing facility limits.

After making these assessments, the Directors have reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months following the approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

New IFRS standards and interpretations adopted during 2023

The following amendments and interpretations apply for the first time in 2023, and therefore were adopted by the Group:

- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 1 – Disclosure of Accounting Policies
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules

The amendments noted above have not had a material impact on the financial statements.

New IFRS standards and interpretations to be adopted in the future

The following standards and interpretations, which are not yet effective and have not been early adopted by the Group, will, where relevant, be adopted in future accounting periods:

To be adopted for year-ending 31 December 2024:

- Amendments to IAS 1 – Classification of liabilities as current or non-current and non-current liabilities with covenants
- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

There are currently no further standards and interpretations to be adopted for year-ending 31 December 2025.

The above changes are not expected to have a material impact on the Group.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. Acquisition-related costs are expensed as incurred and included in non-underlying costs (see accounting policy 'non-underlying items'). Fair value adjustments are always considered to be provisional at the first year end date after the acquisition to allow the maximum time to elapse for management to make a reliable estimate.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Intangible assets – Goodwill

Goodwill on acquisition of subsidiaries is initially measured at cost and comprises the excess of the fair value of the purchase consideration paid for subsidiaries over the Group's share of the fair value of the identifiable assets and liabilities acquired. After initial recognition, goodwill is measured at cost less impairment losses (see accounting policy 'Impairment of assets').

Intangible assets – Other

Other intangible assets that are acquired by the Group as part of a business combination, such as brands, patents and customer lists, are stated at cost less accumulated amortisation and impairment losses (see accounting policy 'Impairment of assets'). Cost reflects management's judgement of the fair value of the individual intangible asset calculated by reference to the net present value of future benefits accruing to the Group from the utilisation of the asset, discounted at an appropriate discount rate.

Certain US brands are considered to have an indefinite life and are therefore subject to annual impairment testing (see accounting policy 'Impairment of assets'). In determining that these brands have indefinite lives, consideration was given to the extent of their trading history, which in all cases exceeds 50 years, their prominence in the markets in which they operate and the nature of the products sold under those brands in the context of potential for future development. For other brands, patents and customer lists, amortisation is provided equally over the estimated useful economic life of the assets concerned, currently up to 20 years. Amortisation of such items is recorded as a non-underlying item within administrative expenses (note 5).

Where computer software is non-cloud based and not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring into use the specific software. Where software is cloud-based (stored, managed and available through the cloud), the associated costs generally do not meet the criteria for recognition of an intangible asset since cloud-based arrangements generally do not provide a resource that the Group can control. Accordingly, such licenses are expensed to the Consolidated Income Statement.

1. GROUP ACCOUNTING POLICIES continued

The development and implementation of a cloud-based system could give rise to an intangible asset. Each cloud-based computing arrangement is considered on a case-by-case basis. Where it is determined that a cloud computing arrangement does not include an intangible asset, the implementation costs are expensed to the Consolidated Income Statement.

An internally generated intangible asset arising from the Group's development of computer systems (including websites) is recognised if, and only if, the costs are directly associated with the production of identifiable and unique software products, controlled by the Group and it is probable that future economic benefits will flow to the Group. Amortisation is provided equally over the estimated useful economic life of the assets concerned, currently up to seven years.

Trade licences are amortised over the specific term granted to each individual licence.

An intangible asset is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Consolidated Income Statement.

Intangible assets – Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate amount of directly attributable overheads. Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses (see accounting policy 'Impairment of assets'). Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in administrative expenses. During the period of development, the asset is tested for impairment annually.

Other development expenditure is recognised in the Consolidated Income Statement as an expense as incurred.

Property, plant, equipment and depreciation

Property, plant and equipment are recorded in the Group's Consolidated Statement of Financial Position at cost less accumulated depreciation and any recognised impairment loss. Cost includes, where appropriate, directly attributable costs incurred in bringing each asset to its present condition and location.

Assets in the course of construction are stated at cost, net of any accumulated impairment losses.

Certain of the Group's Roads businesses routinely generate revenue from the rental of assets to customers. Such assets are accounted for as plant and equipment. If an asset that is held for rental is sold, the asset is transferred from property, plant and equipment to inventories at the carrying amount when the asset ceases to be rented. The proceeds from the sale of such assets are recognised as revenue in the Consolidated Income Statement.

Depreciation is provided to write off the cost or deemed cost less the estimated residual value of property, plant and equipment (excluding assets in the course of construction) by equal instalments over their estimated useful economic lives as follows:

Buildings and leasehold improvements	5 to 50 years
Plant, machinery and vehicles	up to 20 years

No depreciation is provided on freehold land.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Consolidated Income Statement when the asset is derecognised.

Repair and maintenance costs are recognised in the Consolidated Income Statement as incurred.

Impairment of assets

For goodwill and intangible assets that have an indefinite life, the recoverable amount is assessed at each year end date, or when indicators of impairment exist, and an impairment loss is recognised, where appropriate, for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment reviews are undertaken at the level of each significant cash generating unit, which are no larger than operating segments as defined in IFRS 8 – Segmental reporting.

The carrying amounts of the Group's other non-financial assets, other than inventories (see accounting policy 'Inventories') and deferred tax balances (see accounting policy 'Deferred taxation'), are reviewed at each year end date to determine whether there is an indication of impairment. If such an indication exists, the relevant asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset or its cash generating unit exceeds its recoverable amount.

1. GROUP ACCOUNTING POLICIES continued

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amount will be recovered principally through sale rather than through continuing use. On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of the previous carrying amount and fair value less costs to sell with any adjustments taken to the Consolidated Income Statement. The same applies to gains and losses on subsequent remeasurement. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification are regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. The Group must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment, intangible assets and right-of-use assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the Group's Consolidated Statement of Financial Position.

Financial instruments

Financial assets and liabilities are recognised in the Group's Consolidated Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument.

Trade receivables and trade payables are initially measured at fair value. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, and in the case of trade receivables, less any impairment losses. Impairment losses are measured using an expected credit loss model. The Group uses the simplified approach to measure expected credit losses for trade receivables and therefore does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. Further details are provided in note 24(e).

Derivative financial instruments of the Group are used to hedge its exposure to interest rate and foreign currency risks arising from operational, financing and investment activities.

In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments, as follows:

- Derivative financial instruments are stated at fair value. The unhedged gain or loss on remeasurement to fair value is recognised immediately in the Consolidated Income Statement.
- The fair value of foreign exchange contracts is the estimated amount that the Group would receive or pay to terminate such contracts at the year end date, taking into account the forward exchange rates prevailing at that date.

Where derivative financial instruments are used to hedge cash flow risk, such as interest rate swaps, the effective part of any gain or loss on the fair value of cash flow hedges is recognised in the Consolidated Statement of Comprehensive Income and in the hedge reserve, while any ineffective part is recognised immediately in the Consolidated Income Statement. Amounts recorded in the hedge reserve are subsequently reclassified to the Consolidated Income Statement when the interest expense is actually recognised.

To qualify for hedge accounting the hedging relationship must meet several conditions with respect to documentation, probability of occurrence, hedge effectiveness and reliability of measurement. At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedge transaction. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group also documents its assessment, at hedge inception and on a half yearly basis, as to whether the derivatives that are used in hedging transactions have been, and are likely to continue to be, effective in offsetting changes in fair value or cash flows of hedged items.

Interest bearing borrowings are recognised initially at fair value. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Consolidated Income Statement over the period of the borrowings on an effective interest basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are, where there is a right of offset, included as a component of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Any gain or loss on translation of monetary foreign currency assets and liabilities arising from a movement in exchange rates subsequent to initial measurement is included as an exchange gain or loss in the Consolidated Income Statement.

1. GROUP ACCOUNTING POLICIES continued

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of overseas subsidiary undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the closing exchange rate. Income statements and cash flows of such undertakings are translated into Sterling at weighted average rates of exchange, other than substantial transactions that are translated at the rate on the date of the transaction. The adjustments to period end rates are taken to the cumulative translation reserve in equity and reported in the Consolidated Statement of Comprehensive Income. When an overseas operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to profit or loss.

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised and reported in the Consolidated Statement of Comprehensive Income, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the associated cumulative amount in the translation reserve is transferred to profit or loss as an adjustment to the profit or loss on disposal.

The principal exchange rates used were as follows:

	2023		2022	
	Average	Closing	Average	Closing
Sterling to US Dollar (£1 = USD)	**1.24**	**1.27**	1.24	1.20
Sterling to Indian Rupee (£1 = INR)	**102.68**	**106.08**	97.01	99.41
Sterling to Australian Dollar (£1 = AUD)	**1.87**	**1.87**	1.78	1.77

Inventories

Inventories are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, either the FIFO or average cost method is used depending on the nature of the inventory. Cost for work in progress and finished goods comprises direct materials, direct labour and an appropriate proportion of attributable overheads.

Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised as an obligation arises.

Leases

To the extent that a right-of-control exists over an asset subject to a lease and with a lease term exceeding one year, the Group recognises a right-of-use asset, representing the underlying lease asset, and a lease liability, representing the Group's obligation to make lease payments. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of the dismantling, removal and restoration costs as required by the terms of the lease contract.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to review for impairment (see accounting policy 'Impairment of assets').

The lease liability is measured at the present value of the future lease payments discounted using the Group's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Future lease payments include: fixed payments, variable lease payments that depend on an index or a rate (initially measured using the index or rate as at the commencement date), amounts expected to be payable under a residual guarantee and the exercise price of purchased options where it is reasonably certain that the option will be exercised. Finance charges, representing the unwinding of the discount rate, are recognised in the Consolidated Income Statement over the period of the lease.

Lease payments for low value assets and short term leases (less than 12 months) are recognised as an expense on a straight-line basis over the lease term.

1. GROUP ACCOUNTING POLICIES continued

Revenue

Revenue is measured based on the consideration specified in a contract with a customer for the provision of goods and services. The amount recognised excludes sales taxes and is adjusted for any discounts or volume rebates that are included in the contract. It includes consideration received from the customer for freight activities only if the transportation activities are required to fulfil a performance obligation. If the transportation activities are determined to be a separate performance obligation, an entity will only recognise the consideration as revenue if the entity is determined to be acting as principal in the agreement, otherwise the consideration received from the customer for transport costs is recognised net of the related cost, rather than as revenue. The Group's contracts with customers do not contain significant financing components and payment terms are generally customary to the jurisdictions in which each subsidiary operates.

The Group recognises revenue when it transfers control over a good or service to a customer. The following information sets out the Group's approach to the nature and timing of the satisfaction of performance obligations in contracts with customers in each of its operating segments and the related revenue recognition policies.

Engineered Solutions and Roads & Security

For standard products that are manufactured, revenue is recognised when goods are accepted by customers, which is usually on delivery depending on the Incoterms defined in the contract. The Group also enters into certain contracts which require customers to inspect and accept goods that have been manufactured but retained in the Group's facilities; in these cases the customer is deemed to have accepted the product when they have provided evidence of their acceptance and revenue is therefore recognised at that point, assuming that the other criteria set out in IFRS 15 have been met.

Certain of the Group's businesses in the Engineered Solutions and Roads & Security segments manufacture non-standard products that are specific to customer requirements and therefore require a high degree of customisation. The Group has determined that in these cases a product with no alternative use is created. Where the contractual terms are such that if the contract is terminated by the customer then the Group has a right to reimbursement of the costs incurred including a reasonable margin, revenue is recognised over time i.e. before the completed goods are delivered to the customer's premises. Progress is generally determined using input methods (such as costs incurred), unless the circumstances of the contract are such that output methods (such as milestones reached) are considered more appropriate.

In some cases the Group provides installation of its products to customers as an additional service. Revenue from installation services is recognised over the period that the installation takes place, which is generally less than one month.

Certain of the Group's businesses in these segments engage in contracts with customers which include variable consideration. This occurs where the Group provides retrospective sales volume rebates to certain customers once, amongst other matters, the quantity of goods purchased during a predetermined period exceeds thresholds specified in the sales contract. To estimate the variable consideration for these expected future rebates, the Group applies the most likely amount method to reflect the consideration that the Group is entitled to. Variable consideration is only recognised to the extent that it is highly probable that the inclusion will not result in a significant revenue reversal in the future.

Certain of the Group's Roads businesses routinely generate revenue from the rental of assets to customers. Revenue from these rental agreements is recognised over the period over which the assets are available to the customer. If an asset that is held for rental is sold, the asset is transferred from property, plant and equipment to inventories at the carrying amount when the asset ceases to be rented. The proceeds from the sale of such assets are recognised as revenue in the Consolidated Income Statement.

The Group classifies proceeds from the sale of scrap products generated in the manufacturing process within revenue.

Galvanizing Services

Contracts with customers in the Galvanizing Services segment are generally simple. Revenue is recognised at a point in time, which is when the galvanized goods are either despatched or collected by the customer.

The Group classifies proceeds from the sale of by-products generated during the galvanizing process within revenue.

Contract assets

Contract assets primarily relate to the rights to consideration for work completed but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities

Contract liabilities arise when the Group receives consideration from customers based on an agreed billing schedule, as established in the contract, which may not correspond with the pattern of performance under the contract. Where consideration has been received but a performance obligation not satisfied at the reporting date, a contract liability is recorded and presented as Deferred Income in the Consolidated Statement of Financial Position.

1. GROUP ACCOUNTING POLICIES continued

Retirement benefits

The Group operates pension schemes under which contributions by employees and by the sponsoring companies are held in trust funds separated from the Group's finances.

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the Consolidated Income Statement as incurred.

The Group's net obligation in respect of defined benefit pension schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. This benefit is discounted to determine its present value, and the fair value of any scheme assets is deducted. The discount rate is the yield at the year end date on AA rated bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit method. Scheme assets are valued at bid price.

In the Consolidated Income Statement, current and past service costs are recognised in operating profit and the interest cost on the net defined benefit obligations is included in financial expense.

All actuarial gains and losses in calculating the Group's obligation in respect of defined benefit schemes are recognised annually and reported in the Consolidated Statement of Comprehensive Income.

Share-based payment transactions

The Group issues equity settled share-based payments to certain employees, including those in the form of buy-out awards or deferred bonus awards. The fair value of shares/options granted is recognised as an employee expense, with a corresponding increase in equity reserves. The fair value is calculated at the grant date and spread over the period during which the employees become unconditionally entitled to the shares/options. The Black–Scholes model has been adopted as the method of evaluating the fair value of the options where vesting is based on non-market conditions, while a Monte Carlo Simulation is used where vesting is based on market conditions. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no adjustment for differences between expected and actual outcomes.

The fair value of amounts payable to employees in respect of share appreciation rights settled in cash is recognised as an employee expense and corresponding increase in liabilities. The fair value of the liability is remeasured at each reporting date and spread over the period during which employees become unconditionally entitled to the payment.

Financial income and expense

Financial income comprises interest income on funds invested and gains on the fair value of financial assets and liabilities at fair value through profit or loss. Interest income is recognised as it accrues in the Consolidated Income Statement using the effective interest method.

Financial expense comprises interest expense on borrowings, interest cost on net pension scheme obligations, unwinding of discounts, losses on the fair value of financial assets and liabilities at fair value through profit or loss, the interest expense on lease liabilities, and financial expenses related to refinancing. All borrowing costs are recognised in the Consolidated Income Statement using the effective interest method.

Non-underlying items

Non-underlying items are presented separately in the Consolidated Income Statement where, in the Directors' judgement, the quantum, nature or volatility of such items gives further information to obtain a fuller understanding of the underlying performance of the business. The following are included by the Group in its assessment of non-underlying items:

- Gains or losses arising on disposal, closure, restructuring or reorganisation of businesses that do not meet the definition of discontinued operations
- Amortisation of intangible fixed assets arising on acquisitions, which can vary depending on the nature, size and frequency of acquisitions in each financial period
- Expenses associated with acquisitions and disposals, comprising professional fees incurred, any consideration which, under IFRS 3 (Revised) is required to be treated as a post-acquisition employment expense, and changes in contingent consideration payable on acquisitions
- Impairment charges in respect of tangible or intangible fixed assets, or right-of-use assets
- Changes in the fair value of derivative financial instruments
- Significant past service items or curtailments and settlements relating to defined benefit pension obligations resulting from material changes in the terms of the schemes.

The non-underlying tax charge or credit comprises the tax effect of the above non-underlying items.

Details in respect of the non-underlying items recognised in the current and prior year are set out in note 5 to the Financial Statements.

1. GROUP ACCOUNTING POLICIES continued

Income tax

Income tax on the profit or loss for the year represents the sum of the tax currently payable and deferred tax. Income tax is recognised in the Consolidated Income Statement except to the extent that it relates to items either recognised in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items of income or expense that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates enacted or substantively enacted at the year end date, and any adjustments to tax payable in respect of previous years.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates, with effect from 1 January 2024. An assessment of the potential exposure to Pillar Two income taxes has been performed, noting that the Group primarily operates in the UK and US where Pillar Two effective tax rates are higher than 15%. Currently the only jurisdiction identified where the transitional safe harbour relief may not be available is in respect of the Group's small trading operation in Ireland, however the Group does not expect a significant exposure to Pillar Two income taxes to result given the relatively low level of profitability in the Irish entity.

Deferred taxation

Deferred tax is provided in full using the Consolidated Statement of Financial Position liability method and represents the tax expected to be payable or recoverable on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets and liabilities not resulting from a business combination that affects neither accounting or taxable profit, and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the year end date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax assets is reviewed at each year end date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Ordinary dividends

Dividends are recognised as a liability in the period in which they are approved by the Company's shareholders.

2. ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of income, expenses, assets and liabilities. Actual results may differ from these estimates.

Impairment of goodwill (note 13)

Estimates

The determination of whether goodwill and other indefinite life intangible assets should be impaired requires the estimation of future cash flows and growth factors adopted by each cash generating unit. Furthermore, discount rates applied to these cash flows are determined by reference to the markets in which they operate and are risk adjusted to reflect risks and opportunities existing for each cash generating unit. These factors are all affected by prevailing market and economic factors outside the Group's control. Further information on this issue, including sensitivity analyses, is included in note 13.

Actuarial assumptions on pension obligations (note 27)

In determining the valuation of the UK defined benefit pension deficit, certain estimates and assumptions about the scheme have been made, notably the inflation rates, discount rates, mortality and pension increases. The factors affecting these assumptions are influenced by wider macro-economic factors that are largely outside of the Group's control. A sensitivity analysis of the impact of changes in key assumptions is set out in note 27.

Taxation (notes 9 and 17)

Judgements

Liabilities for uncertain tax positions require management judgements in respect of tax audit issues and exposures in each of the jurisdictions in which the Group operates. Where management judges that a tax position is uncertain, a current tax liability is held for anticipated taxes that are considered to be probable based on the information available. The key judgement area for the Group is the pricing of intercompany goods and services and other cross border transactions between subsidiaries in different countries.

Estimates

Management is required to make an estimate of the current tax liability together with an assessment of the temporary differences which arise as a consequence of different accounting and tax treatments. Liabilities for uncertain tax positions also require management estimates in respect of the amount of tax that may become payable. Management engages with professional advisors in making its assessment and, if appropriate, will liaise with the relevant tax authorities to resolve the matter. The tax liability is reassessed in each period to reflect management's best estimate in light of the information available. Included in the current tax payable is a liability of £4.5m (2022: £4.6m) for uncertain tax positions. In addition, £0.6m (2022: nil) of the deferred tax liability relates to uncertain tax positions. Depending on the conclusions of any tax audits conducted by the tax authorities in the various jurisdictions in which the Group operates, management estimate the range of possible outcomes to be between £nil and £6.1m (2022: £nil to £5.7m) and therefore it is possible that, if the outcomes are different to those estimated by management, the difference may materially impact the income tax charge / (credit) in the year in which the matter is concluded. Further information is set out in note 9 and note 17.

3. SEGMENTAL INFORMATION

Business segment analysis

The Group has three reportable segments which are Roads & Security, Engineered Solutions and Galvanizing Services. The Group's internal management structure and financial reporting systems differentiate between these segments, and, in reporting, management have taken the view that they comprise a reporting segment on the basis of the following economic characteristics:

- The **Roads & Security** segment contains a group of businesses supplying products designed to ensure the safety and security of roads and other national infrastructure, many of which have been developed to address national and international safety standards, to customers involved in the construction of that infrastructure;
- The **Engineered Solutions** segment contains a group of businesses supplying products characterised by a degree of engineering expertise, to public and private customers involved in the construction of facilities serving the utilities and other infrastructure markets; and
- The **Galvanizing Services** segment contains a group of companies supplying galvanizing and related materials coating services to companies in a wide range of markets including construction, agriculture and infrastructure.

Corporate costs are allocated to reportable segments in proportion to the revenue of each of those segments.

Segmental Income Statement – continuing operations

	2023			2022		
	Revenue £m	Reported operating profit £m	Underlying operating profit* £m	Revenue £m	Reported operating profit £m	Underlying operating profit* £m
Roads & Security	**266.1**	**0.3**	**12.4**	261.5	1.7	18.1
Engineered Solutions	**367.0**	**59.7**	**64.4**	289.9	34.1	35.0
Galvanizing Services	**196.7**	**43.8**	**45.7**	180.7	42.7	44.0
Group	**829.8**	**103.8**	**122.5**	732.1	78.5	97.1
Net financing costs		**(10.6)**	**(10.6)**		(9.2)	(9.2)
Profit before taxation		**93.2**	**111.9**		69.3	87.9
Taxation		**(24.4)**	**(27.6)**		(16.0)	(19.7)
Profit after taxation		**68.8**	**84.3**		53.3	68.2

* Underlying operating profit is stated before non-underlying items as defined in the Group Accounting Policies on page 137 and is the measure of segment profit used by the Chief Operating Decision Maker, who is currently the Executive Chair. The reported operating profit columns are included as additional information.

Transactions between operating segments are on an arm's length basis similar to transactions with third parties. Galvanizing Services sold £5.2m (2022: £6.8m) of products and services to Roads & Security and £2.5m (2022: £2.0m) of products and services to Engineered Solutions. Engineered Solutions sold £0.6m (2022: £1.9m) of products and services to Roads & Security. These internal revenues, along with revenues generated from within their own segments, have been eliminated on consolidation.

3. SEGMENTAL INFORMATION continued

In the following tables, revenue from contracts with customers is disaggregated by primary geographical market, major product/service lines and timing of revenue recognition. Revenue by primary geographical market is defined as the end location of the Group's product or service. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

Continuing operations	Roads & Security		Engineered Solutions		Galvanizing		Total	
Primary geographical markets	**2023 £m**	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
UK	**155.0**	163.5	**80.6**	87.2	**83.9**	81.8	**319.5**	332.5
Rest of Europe	**11.0**	16.7	**8.2**	8.7	**–**	–	**19.2**	25.4
North America	**90.4**	70.3	**259.2**	187.1	**112.8**	98.9	**462.4**	356.3
The Middle East	**1.9**	4.9	**12.5**	2.4	**–**	–	**14.4**	7.3
Rest of Asia	**0.7**	1.9	**5.5**	3.9	**–**	–	**6.2**	5.8
Rest of the world	**7.1**	4.2	**1.0**	0.6	**–**	–	**8.1**	4.8
	266.1	261.5	**367.0**	289.9	**196.7**	180.7	**829.8**	732.1
Major product/service lines								
Manufacture, supply and installation of products	**241.2**	240.3	**367.0**	289.9	**–**	–	**608.2**	530.2
Galvanizing services	**–**	–	**–**	–	**196.7**	180.7	**196.7**	180.7
Rental income	**24.9**	21.2	**–**	–	**–**	–	**24.9**	21.2
	266.1	261.5	**367.0**	289.9	**196.7**	180.7	**829.8**	732.1
Timing of revenue recognition								
Products and services transferred at a point in time	**208.1**	210.2	**172.7**	153.8	**196.7**	180.7	**577.5**	544.7
Products and services transferred over time	**58.0**	51.3	**194.3**	136.1	**–**	–	**252.3**	187.4
	266.1	261.5	**367.0**	289.9	**196.7**	180.7	**829.8**	732.1

The Group has no material unsatisfied or partially satisfied performance obligations at the balance sheet date that have an expected duration of more than one year and therefore has taken the practical expedient under IFRS 15 not to disclose such details.

Additional segmental analysis

Capital expenditure and amortisation/depreciation

	2023		2022	
	Capital expenditure £m	**Impairment losses, amortisation and depreciation £m**	Capital expenditure £m	Impairment losses, amortisation and depreciation £m
Roads & Security	**8.2**	**14.9**	17.0	20.5
Engineered Solutions	**11.7**	**7.4**	6.6	4.7
Galvanizing Services	**11.0**	**7.7**	8.1	8.4
Total Group	**30.9**	**30.0**	31.7	33.6
Property, plant and equipment (note 14)	**28.1**	**20.4**	29.2	19.2
Intangible assets (note 13)	**2.8**	**9.6**	2.5	14.4
Total Group	**30.9**	**30.0**	31.7	33.6

The 2022 amounts for impairment losses, amortisation and depreciation relating to the Roads & Security segment included intangible asset impairment losses of £4.4m relating to Parking Facilities Limited.

3. SEGMENTAL INFORMATION continued

Geographical analysis

Total assets

	2023 £m	2022 £m
UK	**262.8**	280.3
Rest of Europe	**3.6**	9.8
North America	**419.6**	380.2
Asia	**16.0**	11.2
Rest of the world	**13.0**	12.8
Total Group	**715.0**	694.3

Non-current assets

	2023 £m	2022 £m
UK	**181.0**	181.7
Rest of Europe	**0.8**	0.8
North America	**239.8**	213.0
Asia	**3.2**	3.3
Rest of the world	**9.1**	10.5
Total Group	**433.9**	409.3

Capital expenditure

	2023 £m	2022 £m
UK	**12.7**	9.5
Rest of Europe	**0.3**	3.5
North America	**16.6**	11.8
Asia	**0.6**	0.4
Rest of the world	**0.7**	6.5
Total Group	**30.9**	31.7

4. ALTERNATIVE PERFORMANCE MEASURES

The Group presents Alternative Performance Measures ("APMs") in addition to its statutory results. These are presented in accordance with the Guidelines on APMs issued by the European Securities and Markets Authority. The principal APMs are:

- Underlying profit before taxation
- Underlying operating profit
- Underlying operating margin
- Organic and constant currency measures of change in revenue and underlying operating profit
- Underlying cash conversion ratio
- Capital expenditure to depreciation and amortisation ratio
- Covenant net debt to EBITDA ratio
- Underlying earnings per share. A reconciliation of statutory earnings per share to underlying earnings per share is provided in note 11.

All underlying measures exclude certain non-underlying items, which are detailed in note 5. References to an underlying profit measure are made on this basis and, in the opinion of the Directors, aid the understanding of the underlying business performance as they exclude items whose quantum, nature or volatility gives further information to obtain a fuller understanding of the underlying performance of the business. APMs are presented on a consistent basis over time to assist in comparison of performance.

4. ALTERNATIVE PERFORMANCE MEASURES continued

Reconciliation of underlying to reported profit before tax from continuing operations

	2023 £m	2022 £m
Underlying profit before tax from continuing operations	**111.9**	87.9
Non-underlying items included in operating profit (note 5)	**(18.7)**	(18.6)
Reported profit before tax from continuing operations	**93.2**	69.3

Reconciliation of underlying to reported operating profit from continuing operations by segment

	Roads & Security		Engineered Solutions		Galvanizing		Total	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Underlying operating profit from continuing operations	**12.4**	18.1	**64.4**	35.0	**45.7**	44.0	**122.5**	97.1
Non-underlying items:								
Amortisation of acquisition related intangibles	**(4.2)**	(4.6)	**(3.0)**	(0.5)	**(1.2)**	(0.9)	**(8.4)**	(6.0)
Business reorganisation costs	**(0.2)**	(2.9)	**–**	–	**–**	–	**(0.2)**	(2.9)
Impairment of assets	**(0.6)**	(6.4)	**–**	–	**–**	–	**(0.6)**	(6.4)
Expenses related to acquisitions and disposals	**(2.9)**	(1.5)	**(1.7)**	(0.4)	**(0.7)**	(0.4)	**(5.3)**	(2.3)
Loss on disposal of subsidiaries	**(4.2)**	(1.0)	**–**	–	**–**	–	**(4.2)**	(1.0)
Reported operating profit from continuing operations	**0.3**	1.7	**59.7**	34.1	**43.8**	42.7	**103.8**	78.5

Calculation of underlying operating margin from continuing operations

	Roads & Security		Engineered Solutions		Galvanizing		Total	
Continuing operations	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Underlying operating profit	**12.4**	18.1	**64.4**	35.0	**45.7**	44.0	**122.5**	97.1
Revenue	**266.1**	261.5	**367.0**	289.9	**196.7**	180.7	**829.8**	732.1
Underlying operating margin (%)	**4.7%**	6.9%	**17.5%**	12.1%	**23.2%**	24.3%	**14.8%**	13.3%

4. ALTERNATIVE PERFORMANCE MEASURES continued

Measures of organic and constant currency change in revenue and underlying operating profit from continuing operations

Organic constant currency measures exclude the impact of currency translation movements, acquisitions, disposals and closures of subsidiary businesses. In respect of acquisitions, the amounts referred to represent the amounts for the period in the current year that the business was not held in the prior year. In respect of disposals and closures of subsidiary businesses, the amounts referred to represent the amounts for the period in the prior year that the business was not held in the current year. Constant currency amounts are prepared using exchange rates which prevailed in the current year.

	Roads & Security		Engineered Solutions		Galvanizing		Total	
Continuing operations	**Revenue £m**	**Underlying operating profit £m**	**Revenue £m**	**Underlying operating profit £m**	**Revenue £m**	**Underlying operating profit £m**	**Revenue £m**	**Underlying operating profit £m**
2022	**261.5**	**18.1**	**289.9**	**35.0**	**180.7**	**44.0**	**732.1**	**97.1**
Impact of exchange rate movements from 2022 to 2023	(0.7)	–	(0.4)	–	–	–	(1.1)	–
2022 translated at 2023 exchange rates (A)	**260.8**	**18.1**	**289.5**	**35.0**	**180.7**	**44.0**	**731.0**	**97.1**
Acquisitions, disposals and closures	17.2	7.2	35.1	5.1	7.8	1.5	60.1	13.8
Organic growth/(decline) (B)	(11.9)	(12.9)	42.4	24.3	8.2	0.2	38.7	11.6
2023 (C)	**266.1**	**12.4**	**367.0**	**64.4**	**196.7**	**45.7**	**829.8**	**122.5**
Organic growth % (B divided by A)	**–4.6%**	**–71.3%**	**14.6%**	**69.4%**	**4.5%**	**0.5%**	**5.3%**	**11.9%**
Constant currency change % ((C-A) divided by A)	**2.0%**	**–31.5%**	**26.8%**	**84.0%**	**8.9%**	**3.9%**	**13.5%**	**26.2%**

Calculation of underlying cash conversion ratio

	2023 £m	2022 £m
Underlying operating profit:		
Continuing operations	**122.5**	97.1
Discontinued operations	**–**	6.8
	122.5	103.9
Calculation of adjusted operating cash flow:		
Cash generated by operations	**173.4**	82.9
Less: Purchase of assets for rental to customers	**(2.3)**	(10.6)
Less: Purchase of property, plant and equipment	**(26.7)**	(18.4)
Less: Purchase of intangible assets	**(2.8)**	(2.5)
Less: Repayments of lease liabilities	**(9.4)**	(9.5)
Add: Proceeds on disposal of non-current assets and assets held for sale	**3.3**	0.4
Add back: Defined benefit pension scheme deficit payments	**3.7**	3.7
Add back: Cash flows relating to non-underlying items	**1.9**	6.5
Adjusted operating cash flow	**141.1**	52.5
Underlying cash conversion (%)	**115%**	51%

4. ALTERNATIVE PERFORMANCE MEASURES continued

Calculation of capital expenditure to depreciation and amortisation ratio

	2023 £m	2022 £m
Calculation of capital expenditure:		
Purchase of assets for rental to customers	**2.3**	10.6
Purchase of property, plant and equipment	**26.7**	18.4
Purchase of intangible assets	**2.8**	2.5
	31.8	31.5
Calculation of depreciation and amortisation:		
Depreciation of property, plant and equipment (note 8)	**19.7**	19.1
Amortisation of development costs (note 8)	**1.0**	1.1
Amortisation of other intangible assets (note 8)	**0.2**	1.0
	20.9	21.2
Capital expenditure to depreciation and amortisation ratio	**1.5x**	1.5x

Calculation of covenant net debt to EBITDA ratio

	2023 £m	2022 £m
Reported net debt (note 20)	**108.4**	119.7
Lease liabilities (note 16)	**(43.7)**	(39.3)
Amounts related to refinancing under IFRS 9	**2.0**	2.2
Covenant net debt (A)	**66.7**	82.6
Underlying operating profit	**122.5**	103.9
Depreciation of owned assets (note 14)	**19.7**	19.1
Right-of-use asset depreciation (note 16)	**9.3**	8.8
Amortisation of development costs (note 13)	**1.0**	1.1
Amortisation of other intangible assets (note 13)	**0.2**	1.0
Underlying EBITDA	**152.7**	133.9
Adjusted for:		
Lease payments (note 16)	**(10.4)**	(10.3)
Share-based payments expense (note 25)	**4.1**	2.0
Annualised EBITDA of subsidiaries acquired/disposed	**3.5**	(3.7)
Covenant EBITDA (B)	**149.9**	121.9
Covenant net debt to EBITDA (A divided by B)	**0.4**	0.7

5. NON-UNDERLYING ITEMS

Included in operating profit

	2023 £m	2022 £m
Loss on disposal of subsidiaries (a)	**(4.2)**	(1.4)
Business reorganisation costs (b)	**(0.2)**	(2.9)
Impairment of assets (c)	**(0.6)**	(6.4)
Amortisation of acquisition related intangibles	**(8.4)**	(6.2)
Expenses related to acquisitions and disposals	**(5.3)**	(3.5)
Total non-underlying items	**(18.7)**	(20.4)
Total non-underlying items – continuing operations	**(18.7)**	(18.6)
Total non-underlying items – discontinued operations	**–**	(1.8)

Notes:

a) In April 2023, the Group completed the disposal of the remaining part of its Swedish roads business, and in October 2023, we sold the business and assets of Berry Systems, a small UK car park solutions operation. Aggregated details of these disposals are set out below:

Disposal of Swedish roads and Berry Systems businesses	£m
Property, plant and equipment	0.1
Intangible assets	0.7
Right-of-use assets	0.3
Inventories	1.9
Current assets	2.9
Current liabilities	(1.2)
Lease liabilities	(0.3)
Net assets disposed	**4.4**
Consideration received	0.5
Cumulative exchange differences	(0.3)
Loss on disposal	**4.2**

The Group also incurred legal fees and other project completion costs relating to the disposals of £1.0m, which are included within ‘expenses related to acquisitions and disposals’ in the table above.

In 2022, the loss on disposal of £1.4m related to the sales of France Galva, the Group’s French galvanizing and lighting column operation, and the first part of the Swedish roads business.

b) In May 2022, the Group exited the low-margin plastic products operations that formed part of our US roads business, recognising a charge of £2.9m in 2022 comprising business reorganisation costs of £1.1m and asset impairment charges of £1.8m. In March 2023 we sold the property that was vacated on closure, which was reported as an asset held for sale at 31 December 2022, recognising a profit of £0.7m. In addition, following the closure of the Group’s variable message sign (VMS) business in 2021, the Group has incurred a further £1.5m of costs in 2023 in relation to vacant leasehold properties and the completion of legacy contracts, comprising restructuring costs of £0.9m and a right-of-use asset impairment of £0.6m.

   Business restructuring costs of £2.9m in 2022 comprised £2.6m relating to the actions described above and a further £0.3m relating to restructuring in the Swedish road business.

c) The impairment charge of £0.6m in 2023 relates to the VMS closure as explained above. Impairment charges of £6.4m in 2022 comprised a charge of £4.4m in respect of acquisition intangible assets relating to Parking Facilities, one of the Group’s UK security businesses, and £2.0m relating to the portfolio management actions in our US and Swedish roads businesses.

Included in taxation

The tax effect of the above items is a credit to the income statement of £3.2m (2022: £3.7m).

6. EMPLOYEES

	2023 No.	2022 No.
The average number of people employed by the Group during the year		
Roads & Security	**1,018**	1,078
Engineered Solutions	**2,054**	1,550
Galvanizing Services	**1,264**	1,167
Total Group	**4,336**	3,795

	2023 £m	2022 £m
Total employee benefit expense for the year		
Wages and salaries	**171.4**	145.9
Share-based payments (note 25)	**4.1**	2.0
Social security costs	**23.1**	21.0
Pension costs (note 27)	**4.6**	4.3
	203.2	173.2

Both the average number of people employed by the Group and the total employee benefit expense in both years above have been presented for continuing operations.

	2023 £m	2022 £m
Remuneration of key management personnel		
Remuneration in relation to short term benefits	**2.8**	3.8
Termination benefits	**–**	0.6
Share based payments	**0.8**	0.7
Company contributions to money purchase pension plans	**0.1**	0.1
	3.7	5.2

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, directly or indirectly, including any directors (whether executive or otherwise) of the Group. Key management personnel are considered to be the Board of Directors of Hill & Smith PLC and the members of the Executive Board who are not also Directors of the Group.

Further details of the Directors' remuneration and share interests are given in the Directors' Remuneration Report on pages 94 to 106.

7. NET FINANCING COSTS – CONTINUING OPERATIONS

	2023 £m	2022 £m
Interest on bank deposits	**0.5**	0.5
Financial income	**0.5**	0.5
Interest on loans and borrowings	**(8.9)**	(6.4)
Interest on lease liabilities (note 16)	**(1.3)**	(0.8)
Financial expenses related to refinancing activities	**(0.6)**	(2.4)
Interest cost on net pension scheme deficit (note 27)	**(0.3)**	(0.1)
Financial expense	**(11.1)**	(9.7)
Net financing costs	**(10.6)**	(9.2)

8. EXPENSES AND AUDITOR'S REMUNERATION

	2023 £m	2022 £m
Income statement charges		
Depreciation of property, plant and equipment	**(19.7)**	(19.1)
Right-of-use asset depreciation	**(9.3)**	(8.8)
Short term leases	**(1.0)**	(0.7)
Low value leases	**–**	(0.1)
Loss on disposal of non-current assets	**(0.2)**	(0.3)
Research and development expenditure	**(1.0)**	(0.3)
Amortisation of acquisition related intangibles	**(8.4)**	(6.2)
Amortisation of development costs	**(1.0)**	(1.1)
Amortisation of other intangible assets	**(0.2)**	(1.0)
Impairment losses:		
Intangible fixed assets	**–**	(6.1)
Tangible fixed assets	**(0.7)**	(0.1)
Right-of-use lease assets	**(0.6)**	(0.2)
Income statement credits		
Gain on disposal of assets held for sale (note 15)	**0.7**	–
Foreign exchange gain	**0.2**	–
Sublease income (note 16)	**0.1**	0.2

Amounts relating to discontinued operations included in the table above comprise depreciation of property, plant and equipment of nil (2022: £1.8m), right-of-use asset depreciation of nil (2022: £0.4m), and amortisation of acquisition related intangibles of nil (2022: £0.3m).

A detailed analysis of the auditor's remuneration worldwide is as follows:

	£m	£m
Audit of the Company's Annual Accounts	**0.5**	0.5
Audit of the Company's subsidiaries	**1.1**	1.1
	1.6	1.6

A description of the work of the Audit Committee is set out in the Audit Committee Report on pages 86 to 93 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor. Audit-related assurance services totalled £13,000 (2022: £3,000).

9. TAXATION

	2023 £m	2022 £m
Current tax		
UK corporation tax	**4.1**	4.1
Overseas tax at prevailing local rates	**20.7**	14.2
Adjustments in respect of prior years	**1.3**	1.8
	26.1	20.1
Deferred tax (note 17)		
UK deferred tax	**1.1**	0.3
Overseas tax at prevailing local rates	**(0.4)**	0.3
Adjustments in respect of prior years	**(2.4)**	(3.2)
	(1.7)	(2.6)
Tax on profit in the Consolidated Income Statement	**24.4**	17.5
Deferred tax (note 17)		
Relating to defined benefit pension schemes	**(0.1)**	(0.7)
Tax on items taken directly to other comprehensive income	**(0.1)**	(0.7)
Current tax		
Relating to share-based payments	**–**	(0.2)
Deferred tax (note 17)		
Relating to share-based payments	**(1.3)**	1.2
Tax taken directly to the Consolidated Statement of Changes in Equity	**(1.3)**	1.0

The tax charge in the Consolidated Income Statement for the period is higher (2022: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2023 £m	2022 £m
Profit before taxation from continuing operations	**93.2**	69.3
Profit before taxation from discontinued operations	**–**	4.9
Profit before taxation – total Group	**93.2**	74.2
Profit before taxation multiplied by the effective rate of corporation tax in the UK of 23.5% (2022: 19.0%)	**21.9**	14.1
Expenses not deductible/income not chargeable for tax purposes	**2.3**	1.2
Benefits from international financing arrangements – current and prior years	**(0.1)**	(0.3)
Local tax incentives	**(0.1)**	(0.4)
Overseas profits taxed at higher rates	**1.5**	3.6
Overseas losses not relieved	**–**	0.7
Adjustments in respect of prior years	**(1.1)**	(1.4)
Tax charge	**24.4**	17.5
Tax charge attributable to continuing operations	**24.4**	16.0
Tax charge attributable to discontinued operations	**–**	1.5
	24.4	17.5

In October 2017, the European Commission opened a state aid investigation into the Group Financing Exemption in the UK Controlled Foreign Company ('CFC') legislation, announcing in April 2019 that it believed in certain circumstances the CFC regime constituted State Aid. In 2021 the Group received a charging notice from HMRC requiring it to pay £1.6m in respect of state aid that HMRC considers had been unlawfully received in previous years, which was paid in full in February 2021.

Applications to annul the Commission's decision had been made in prior years by the UK Government, the Group and other affected taxpayers. The EU General Court delivered its decision on these applications in June 2022, finding in favour of the Commission. In August 2022, the UK Government and several multinationals, including the Group, appealed against the General Court's decision. The UK / taxpayer appeal was heard by the Court of Justice of the European Union ('CJEU') on 10 January 2024, and we are currently awaiting the Advocate General's non-binding opinion which should be received in April 2024, followed by the CJEU's final decision later this year. Having taken expert advice, we have concluded that there are strong grounds for appeal and that our appeal is likely to be successful. As a result, we continue to recognise a tax receivable of £1.6m within non-current assets, reflecting the Group's view that the amount paid will ultimately be recovered.

10. DISCONTINUED OPERATIONS IN THE PRIOR YEAR

On 4 October 2022 the Group completed the disposal of France Galva SA, our French galvanizing and lighting column business, for £62.0m. France Galva's results were reporting within discontinued operations in the prior year, details of which are set out below.

	2022**		
	Underlying £m	Non-underlying* £m	Total £m
Revenue	68.7	–	68.7
Cost of Sales	(47.6)	–	(47.6)
Gross Profit	21.1	–	21.1
Distribution costs	(3.6)	–	(3.6)
Administrative expenses	(10.7)	(1.8)	(12.5)
Operating profit	6.8	(1.8)	5.0
Financing costs	(0.1)	–	(0.1)
Profit before taxation	6.7	(1.8)	4.9
Taxation	(1.5)	–	(1.5)
Profit from discontinued operations	5.2	(1.8)	3.4

* The Group's definition of non-underlying items is included in the Group Accounting Policies on page 137 and further details on non-underlying items are included in note 5.

** Represents nine months of activity prior to the sale on 4 October 2022.

The net cash flows generated from the sale of France Galva in the prior year were as follows:

	2022 £m
Cash received from sale	62.0
Cash and cash equivalents disposed	(5.9)
Net cash inflow on disposal	56.1

The net cash flows generated/(incurred) by France Galva included in the prior year consolidated cash flow statement are as follows:

	2022 £m
Net cash flow from operating activities	3.4
Net cash flow from investing activities	(2.8)
Net cash flow from financing activities	(0.4)
	0.2

11. EARNINGS PER SHARE

The weighted average number of ordinary shares in issue during the year was 80.0m (2022: 79.9m), diluted for the effects of the outstanding dilutive share options 81.0m (2022: 80.5m). Diluted earnings per share takes account of the dilutive effect of all outstanding share options disclosed in note 25, calculated using the treasury share method. Underlying earnings per share have been shown because the Directors consider that this provides valuable additional information about the underlying performance of the Group.

	2023		2022	
	Pence per share	£m	Pence per share	£m
Basic earnings				
– continuing	86.0	68.8	66.7	53.3
– discontinued	–	–	4.3	3.4
Total basic earnings	86.0	68.8	71.0	56.7
Non-underlying items*				
– continuing	19.4	15.5	18.7	14.9
– discontinued	–	–	2.2	1.8
Total non-underlying items	19.4	15.5	20.9	16.7
Underlying earnings				
– continuing	105.4	84.3	85.4	68.2
– discontinued	–	–	6.5	5.2
Total underlying earnings	105.4	84.3	91.9	73.4
Diluted earnings				
– continuing	85.0	68.8	66.2	53.3
– discontinued	–	–	4.2	3.4
Total diluted earnings	85.0	68.8	70.4	56.7
Non-underlying items*				
– continuing	19.1	15.5	18.5	14.9
– discontinued	–	–	2.2	1.8
Total non-underlying items	19.1	15.5	20.7	16.7
Underlying diluted earnings				
– continuing	104.1	84.3	84.7	68.2
– discontinued	–	–	6.4	5.2
Total underlying diluted earnings	104.1	84.3	91.1	73.4

* Non-underlying items as detailed in note 5.

12. DIVIDENDS

Dividends paid during the year

	2023		2022	
	Pence per share	£m	Pence per share	£m
Interim dividend paid in relation to year-ended 31 December 2021	–	–	12.0	9.6
Final dividend paid in relation to year-ended 31 December 2021	–	–	19.0	15.1
Interim dividend paid in relation to year-ended 31 December 2022	**13.0**	**10.4**	–	–
Final dividend paid in relation to year-ended 31 December 2022	**22.0**	**17.6**	–	–
Total	**35.0**	**28.0**	31.0	24.7

Dividends declared in respect of the year

	2023		2022	
	Pence per share	£m	Pence per share	£m
Interim dividend declared in relation to year-ended 31 December 2022	–	–	13.0	10.4
Final dividend declared in relation to year-ended 31 December 2022	–	–	22.0	17.6
Interim dividend declared in relation to year-ended 31 December 2023	**15.0**	**12.0**	–	–
Final dividend proposed in relation to year-ended 31 December 2023	**28.0**	**22.5**	–	–
Total	**43.0**	**34.5**	35.0	28.0

The final dividend for 2023 was proposed after the year end date and was not recognised as a liability at 31 December 2023, in accordance with IAS 10.

13. INTANGIBLE ASSETS

	Goodwill £m	Brands £m	Customer Lists £m	Capitalised Development Costs £m	Contracts, licences and other assets £m	Total £m
Cost						
At 1 January 2022	171.0	30.2	55.3	18.9	17.5	292.9
Exchange adjustments	9.0	2.1	2.2	0.2	0.8	14.3
Acquisitions of subsidiaries	9.3	1.2	9.8	–	–	20.3
Additions	–	–	–	2.3	0.2	2.5
Disposals of subsidiaries	(28.9)	(4.9)	(0.5)	–	(0.6)	(34.9)
At 31 December 2022	160.4	28.6	66.8	21.4	17.9	295.1
Exchange adjustments	(5.3)	(1.2)	(2.2)	(0.1)	(0.4)	(9.2)
Acquisitions of subsidiaries	17.2	1.3	16.3	–	2.0	36.8
Reclassification from tangible fixed assets (note 14)	–	–	–	0.2	0.6	0.8
Additions	–	–	–	2.1	0.7	2.8
Disposals of subsidiaries	(8.6)	(0.2)	(3.9)	(0.9)	(0.4)	(14.0)
At 31 December 2023	**163.7**	**28.5**	**77.0**	**22.7**	**20.4**	**312.3**
Amortisation and impairment losses						
At 1 January 2022	44.1	15.0	32.8	14.4	9.2	115.5
Exchange adjustments	1.3	1.1	1.3	0.1	0.5	4.3
Disposals of subsidiaries	(16.9)	(3.8)	(0.5)	–	(0.5)	(21.7)
Amortisation charge for the year	–	1.0	3.3	1.1	2.9	8.3
Impairment losses	0.5	0.4	5.2	–	–	6.1
At 31 December 2022	29.0	13.7	42.1	15.6	12.1	112.5
Exchange adjustments	(0.9)	(0.5)	(1.1)	–	(0.2)	(2.7)
Reclassification from tangible fixed assets (note 14)	–	–	–	–	0.5	0.5
Disposals of subsidiaries	(8.0)	(0.2)	(3.9)	(0.7)	(0.5)	(13.3)
Amortisation charge for the year	–	0.9	4.6	1.0	3.1	9.6
At 31 December 2023	**20.1**	**13.9**	**41.7**	**15.9**	**15.0**	**106.6**
Carrying values						
At 1 January 2022	126.9	15.2	22.5	4.5	8.3	177.4
At 31 December 2022	131.4	14.9	24.7	5.8	5.8	182.6
At 31 December 2023	**143.6**	**14.6**	**35.3**	**6.8**	**5.4**	**205.7**

13. INTANGIBLE ASSETS continued

2023

Enduro Composites, Inc.

On 17 February 2023 the Group acquired 100% of the share capital of Enduro Composites, Inc. ("Enduro") for a cash consideration after working capital adjustments of £28.7m. Enduro, located in Houston, Texas, is a designer, manufacturer and supplier of engineered composite solutions focused on industrial and infrastructure market segments. Enduro will become part of the Group's Engineered Solutions division, is highly complementary to our existing northeastern and midwestern US composite businesses and will further accelerate our strategy in this exciting and growing market.

Details of the acquisition are set out below:

	Pre-acquisition carrying amount £m	Policy alignment and fair value adjustments £m	Total £m
Intangible Assets			
Brands	–	1.0	1.0
Customer lists	–	9.9	9.9
Order backlog	–	1.6	1.6
Property, plant and equipment	2.7	(0.2)	2.5
Right-of-use assets	–	2.3	2.3
Inventories	4.5	(0.5)	4.0
Current assets	6.5	(0.1)	6.4
Deferred tax asset	1.4	–	1.4
Cash and cash equivalents	1.8	–	1.8
Total assets	**16.9**	**14.0**	**30.9**
Lease Liabilities	–	(2.3)	(2.3)
Current liabilities	(4.8)	(0.3)	(5.1)
Corporation tax	–	(0.2)	(0.2)
Deferred tax liability	–	(2.9)	(2.9)
Total liabilities	**(4.8)**	**(5.7)**	**(10.5)**
Net assets	**12.1**	**8.3**	**20.4**
Consideration			
Total consideration			28.7
Goodwill			**8.3**
Cash flow effect			
Consideration in the year			28.7
Cash acquired with the business			(1.8)
Net cash consideration shown in the Consolidated Statement of Cash Flows			**26.9**

Brands, customer lists and an order backlog have been recognised as specific intangible assets as a result of the acquisition. The residual goodwill arising, which has been allocated to the Engineered Solutions segment, primarily represents the highly skilled workforce, future technological advantages and potential for geographical expansion afforded to the Group. Policy alignment and fair value adjustments have been made to align the accounting policies of the acquired business with the Group's accounting policies and to reflect the fair value of assets and liabilities acquired. In respect of leases, the Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the terms of the leases relative to market terms. The fair value of the current assets acquired includes £5.8m of trade receivables, which have a gross value of £6.2m.

Post-acquisition the acquired business has contributed £34.4m revenue and £5.0m underlying operating profit, which are included in the Group's Consolidated Income Statement. If the acquisition had been made on 1 January 2023, the Group's results for the period would have shown revenue of £835.7m, underlying operating profit of £123.4m and reported operating profit of £104.7m. The Group incurred expenses of £0.9m relating to the acquisition, which are included in non-underlying costs in the year (see note 5).

13. INTANGIBLE ASSETS continued

Korns Galvanizing Company Inc.

On 8 March 2023 the Group acquired the business and assets of Korns Galvanizing Company Inc. ("Korns") for a cash consideration of £9.4m. Korns, located in Johnstown, Pennsylvania, has a single site specialising in spin galvanizing and has a customer base spread across a wide range of infrastructure related end markets, including commercial construction, fire protection, oil & gas and utilities.

Details of the acquisition are set out below:

	Pre-acquisition carrying amount £m	Provisional policy alignment and fair value adjustments £m	Total £m
Intangible Assets			
Customer lists	–	1.6	1.6
Property, plant and equipment	1.2	–	1.2
Inventories	0.5	(0.1)	0.4
Current assets	0.3	–	0.3
Total assets	**2.0**	**1.5**	**3.5**
Current liabilities	(0.2)	(0.1)	(0.3)
Total liabilities	**(0.2)**	**(0.1)**	**(0.3)**
Net assets	**1.8**	**1.4**	**3.2**
Consideration			
Total consideration			9.4
Goodwill			**6.2**
Cash flow effect			
Consideration in the year			9.4
Cash acquired with the business			–
Net cash consideration shown in the Consolidated Statement of Cash Flows			**9.4**

Customer lists have been recognised as a specific intangible asset as a result of the acquisition. The residual goodwill arising, which has been allocated to the US Galvanizing CGU within the Galvanizing Services segment, primarily represents the highly skilled workforce and potential for geographical expansion afforded to the Group. Policy alignment and fair value adjustments have been made to align the accounting policies of the acquired business with the Group's accounting policies and to reflect the fair value of assets and liabilities acquired. The fair value of the current assets acquired includes £0.3m of trade receivables, which have a gross value of £0.3m.

Post-acquisition the acquired business has contributed £4.8m revenue and £1.0m underlying operating profit, which are included in the Group's Consolidated Income Statement. If the acquisition had been made on 1 January 2023, the Group's results for the period would have shown revenue of £830.5m, underlying operating profit of £122.6m and reported operating profit of £103.9m. The Group incurred expenses of £0.4m relating to the acquisition, which are included in non-underlying costs in the year (see note 5).

13. INTANGIBLE ASSETS continued

United Fiberglass of America Inc.

On 16 November 2023 the Group acquired the business and assets of United Fiberglass of America Inc. ("United Fiberglass") for a cash consideration of £11.8m, plus £0.6m relating to post completion working capital adjustments payable early in 2024. United Fiberglass, located in Springfield, Ohio, is a designer, manufacturer and supplier of composite pipe, conduit and bridge drain infrastructure systems. The business has become part of Creative Composites Group, within our Engineered Solutions division. The business is highly complementary to our existing composite activities and will further accelerate our strategy in this exciting and growing market, expanding our customer base and product range, while also providing additional manufacturing capability.

Details of the acquisition are set out below:

	Pre-acquisition carrying amount £m	Provisional policy alignment and fair value adjustments £m	Total £m
Intangible Assets			
Brands	–	0.3	0.3
Customer lists	–	4.0	4.0
Order backlog	–	0.4	0.4
Property, plant and equipment	0.6	2.2	2.8
Inventories	1.8	–	1.8
Current assets	1.2	(0.1)	1.1
Total assets	**3.6**	**6.8**	**10.4**
Current liabilities	(0.7)	–	(0.7)
Total liabilities	**(0.7)**	**–**	**(0.7)**
Net assets	**2.9**	**6.8**	**9.7**
Consideration			
Total consideration			12.4
Goodwill			**2.7**
Cash flow effect			
Consideration in the year			11.8
Cash acquired with the business			–
Net cash consideration shown in the Consolidated Statement of Cash Flows			**11.8**

Brands, customer lists and an order backlog have been recognised as specific intangible assets as a result of the acquisition. The residual goodwill arising, which has been allocated to the Engineered Solutions segment, primarily represents the highly skilled workforce, future technological advantages and potential for geographical expansion afforded to the Group. Policy alignment and fair value adjustments have been made to align the accounting policies of the acquired business with the Group's accounting policies and to reflect the fair value of assets and liabilities acquired. The fair value of the current assets acquired includes £1.1m of trade receivables, which have a gross value of £1.2m.

Post-acquisition the acquired business has contributed £0.7m revenue and £0.1m underlying operating profit, which are included in the Group's Consolidated Income Statement. If the acquisition had been made on 1 January 2023, the Group's results for the period would have shown revenue of £836.9m, underlying operating profit of £124.2m and reported operating profit of £105.5m. The Group incurred expenses of £0.5m relating to the acquisition, which are included in non-underlying costs in the year (see note 5).

Conn-Fab Sales, Inc.

In December 2023, we acquired the equipment, inventory, customer lists, order book and intellectual property of Conn-Fab Sales, Inc. ("Conn-Fab"), which specialises in adapter curbs, rails, and other customised rooftop seismic support solutions. The acquisition supports the expansion of our existing product portfolio and geographical reach across the US and southern Canada. Consideration in the year was £0.3m, with a further £0.5m being payable over the following 18 months once the qualifying accepted order value (as agreed at acquisition date) has converted to sale. As the fair value of assets acquired was minimal, the total consideration of £0.8m has been allocated to customer lists acquired.

Given the December acquisition, Conn-Fab's contribution to revenue and underlying operating profit in the Group's 2023 results is less than £0.1m. If the acquisition had been made on 1 January 2023, the Group's results for the period would have shown revenue of £831.4m, underlying operating profit of £123.1m and reported operating profit of £104.4m.

2022

National Signal Inc.

On 4 October 2022 the Group acquired the business and assets of National Signal Inc ("National Signal") from its shareholders for an initial cash consideration of £21.5m, plus a further £2.7m relating to post completion working capital adjustments which was paid early in 2023. Further cash consideration of up to £3.3m is payable, conditional on National Signal's achievement of financial performance targets in the three years post-acquisition. National Signal, located in Fullerton, California, is a designer, manufacturer and supplier of off-grid solar lighting solutions in the USA, and is therefore highly complementary to the Group's 2021 acquisition of Prolectric Services, and will further accelerate the Group's strategy in this fast-growing market.

Details of the acquisition are set out below:

	Pre-acquisition carrying amount £m	Policy alignment and fair value adjustments £m	Total £m
Intangible Assets			
Brands	–	1.2	1.2
Customer lists	–	8.9	8.9
Property, plant and equipment	1.5	(0.2)	1.3
Right-of-use assets	–	1.0	1.0
Inventories	3.7	(0.4)	3.3
Current assets	5.8	(0.3)	5.5
Total assets	**11.0**	**10.2**	**21.2**
Lease Liabilities	–	(1.0)	(1.0)
Current liabilities	(2.0)	(0.5)	(2.5)
Provisions	–	(0.7)	(0.7)
Total liabilities	**(2.0)**	**(2.2)**	**(4.2)**
Net assets	**9.0**	**8.0**	**17.0**
Consideration			
Total consideration			24.2
Goodwill			**7.2**
Cash flow effect			
Consideration in the year			21.5
Cash acquired with the business			–
Net cash consideration shown in the Consolidated Statement of Cash Flows			**21.5**

Brands and customer lists were recognised as specific intangible assets as a result of the acquisition. The residual goodwill arising, which was allocated to the Roads & Security segment, primarily represents the highly skilled workforce, future technological advantages and potential for geographical expansion afforded to the Group. Policy alignment and fair value adjustments were made to align the accounting policies of the acquired business with the Group's accounting policies and to reflect the fair value of assets and liabilities acquired. In respect of leases, the Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the terms of the leases relative to market terms. The fair value of the current assets acquired included £5.5m of trade receivables, which had a gross value of £5.7m.

As part of the acquisition agreement, additional consideration was agreed. The amount of additional consideration is dependent on National Signal's gross profit for the three years to 31 December 2025. Below the 'triggers' (as defined in the Asset Purchase Agreement), no additional consideration is due. If the 'triggers' are achieved, additional consideration of £3.3m becomes payable.

13. INTANGIBLE ASSETS continued

Widnes Galvanising Limited

On 30 September 2022 the Group acquired 100% of the share capital of Widnes Galvanising Limited ("Widnes") for an initial cash consideration of £3.5m, plus £0.2m relating to post completion working capital adjustments and a further £0.2m deferred until 2024. The acquisition of Widnes further expands the geographic footprint of the Group's UK galvanizing business into the north west of the UK and is aligned to the Group's growth strategy.

Details of the acquisition are set out below:

	Pre-acquisition carrying amount £m	Policy alignment and fair value adjustments £m	Total £m
Intangible Assets			
Customer lists	–	0.9	0.9
Property, plant and equipment	0.5	–	0.5
Inventories	0.3	–	0.3
Current assets	0.9	–	0.9
Cash	0.4	–	0.4
Total assets	**2.1**	**0.9**	**3.0**
Current liabilities	(0.4)	–	(0.4)
Deferred tax	–	(0.1)	(0.1)
Provisions	–	(0.7)	(0.7)
Total liabilities	**(0.4)**	**(0.8)**	**(1.2)**
Net assets	**1.7**	**0.1**	**1.8**
Consideration			
Total consideration			3.9
Goodwill			**2.1**
Cash flow effect			
Consideration in the year			3.5
Cash acquired with the business			(0.4)
Net cash consideration shown in the Consolidated Statement of Cash Flows			**3.1**

Customer lists were recognised as specific intangible assets as a result of the acquisition. The residual goodwill arising, which was allocated to the Galvanizing Services segment, primarily represents the highly skilled workforce, future technological advantages and potential for geographical expansion afforded to the Group. Policy alignment and fair value adjustments were made to align the accounting policies of the acquired business with the Group's accounting policies and to reflect the fair value of assets and liabilities acquired. The fair value of the current assets acquired included £0.8m of trade receivables, which had a gross value of £0.8m.

13. INTANGIBLE ASSETS continued

Cash generating units with significant amounts of goodwill

	2023 £m	2022 £m
Engineered Solutions		
Creative Composites Group	**19.3**	17.7
V&S Utilities	**5.7**	6.0
Enduro Composites	**8.3**	–
Others <£5m individually	**5.2**	5.4
Roads & Security		
National Signal	**7.0**	7.4
ATG Access	**4.7**	4.7
H&S Inc.	**8.7**	9.2
Hill & Smith Infrastructure (formerly VRS Solutions Group)	**9.8**	10.4
Mallatite	**9.6**	9.6
Prolectric	**5.5**	5.5
Others <£5m individually	**0.2**	0.2
Galvanizing Services		
USA	**32.7**	28.4
UK	**26.9**	24.8
Others <£5m individually*	**–**	2.1
	143.6	131.4

* Amounts included in this category in the prior year related to Widnes Galvanising, acquired in 2022. The amount has been aggregated within the UK Galvanising CGU in the current year for the purposes of impairment testing, being the first year that Widnes Galvanising has been tested for impairment.

Goodwill impairment reviews have been carried out on all CGUs to which goodwill is allocated.

Methodology and assumptions

Impairment tests on the carrying values of goodwill and certain brand names of £8.0m (2022: £8.5m), which are the Group's only other indefinite life intangible assets, are performed by analysing the carrying value allocated to each significant CGU against its value in use. All goodwill is allocated to specific CGUs, which are in all cases no larger than operating segments. Value in use is calculated for each CGU as the net present value of that unit's discounted future cash flows. These cash flows are based on budget cash flow information for a period of one year and strategic plans for 2025 through 2027, both of which are prepared taking into account a range of factors including past experience, the forecast future trading environment and macroeconomic conditions in the Group's key markets. The cash flows beyond the strategic plan period use growth rates which reflect the long-term historical growth in GDP of the economies in which each CGU is located, excluding 2020 and 2021 given the sharp economic movements in those years due to COVID-19. The long-term growth rates are 2.0% in the UK and 2.5% in the USA.

13. INTANGIBLE ASSETS continued

Summary of results of goodwill impairment reviews

The calculated headroom between value in use and carrying value of each of the Group's CGUs with significant amounts of goodwill, together with the pre-tax discount rates applied, are set out below. The pre-tax discount rates are derived from a market participant's cost of capital and risk adjusted for individual CGUs' circumstances.

	2023			2022		
	Goodwill £m	Headroom £m	Discount rate	Goodwill £m	Headroom/ (impairment) £m	Discount rate
Creative Composites Group	19.3	185.6	15.3%	17.7	66.7	15.7%
V&S Utilities	5.7	95.5	15.2%	6.0	52.8	15.6%
Hill & Smith Infrastructure	9.8	26.7	14.8%	10.4	63.2	15.5%
ATG Access	4.7	5.5	14.6%	4.7	1.4	15.6%
Mallatite	9.6	30.0	14.8%	9.6	30.1	15.5%
Prolectric	5.5	15.6	14.4%	5.5	16.3	15.4%
Parking Facilities	–	–	–	–	(4.4)	15.8%
Hill & Smith Inc.	8.7	15.9	15.0%	9.2	9.6	15.0%
National Signal	7.0	38.9	15.1%	–	–	–
Galvanizing Services – USA	32.7	210.4	15.2%	28.4	204.3	15.5%
Galvanizing Services – UK	26.9	90.6	14.6%	24.8	59.2	15.6%

Based on the methodology set out above, the goodwill impairment reviews did not identify any impairments.

Sensitivities

The Group has applied sensitivities to assess whether any reasonable possible changes in assumptions could cause an impairment of the goodwill in any CGU that would be material to these Consolidated Financial Statements. The sensitivity analyses did not identify any potential impairment for any CGU, with the exception of ATG Access, Hill & Smith Inc. and Prolectric.

ATG Access

ATG Access operates in niche security markets, manufacturing and distributing hostile vehicle mitigation and related products. Its future performance is largely dependent on the pace of recovery in its UK and global security products markets, which itself is inherently dependent on both public/customer behaviour and broader economic conditions. Notwithstanding ATG's improved performance in 2023 following a difficult period of trading post-pandemic, it is plausible that the pace of recovery could be more gradual than that assumed in the impairment tests that have been carried out, in which case a further material impairment could arise. Revenue growth, gross margins and the discount rate are the key assumptions on which the goodwill impairment review is most sensitive. The following table provides information on the impact on calculated headroom of various scenarios for each of those key assumptions (independently in each case):

Input	Scenario	Sensitivity applied %	Headroom/ (impairment) £m
Compound annual revenue growth 2023-2028	Base case	8.8%	5.5
	Zero headroom	5.9%	–
	H&S sensitivity *	2.0%	(6.1)
Average gross margin % 2024-28 **	Base case	28.2%	5.5
	Zero headroom	25.7%	–
	H&S sensitivity **	24.0%	(3.5)
Pre-tax discount rate	Base case	14.6%	5.5
	Zero headroom	20.1%	–
	H&S sensitivity	23.4%	(1.9)

* Illustrates the impacts of compound revenue growth at 2% (consistent with long-term UK growth rates).

** The base case assumes that average gross profit margins across the period 2024-28 are slightly below the 30% achieved across 2022/23. The H&S sensitivity assumes a gross profit margin 2024-28 of 24%, in line with the average gross margin in 2020-21, the period most affected by the COVID pandemic.

13. INTANGIBLE ASSETS continued

Hill & Smith Inc. ('H&S Inc.')

H&S Inc. manufactures, sells and rents a range of work zone protection products including crash attenuators, trailer-mounted message boards, and temporary road safety barriers, to construction contractors and traffic specialists across the US roads market. While underlying market conditions remain healthy, the business' performance in 2022 and 2023 was impacted by operational challenges and consequent improvement costs. The Group's projections for H&S Inc. assume that actions taken to address the operational issues will be successful, and that short to medium term revenue growth will be above long-term averages due to the anticipated increase in federal and state highway spend from the IIJA over the next four to five years. The main drivers of that revenue growth are expected to be temporary road safety barrier rentals, supported by the business' investment in building its rental barrier fleet over the past few years, and crash attenuator sales, where the business has developed a complementary offering to its existing market-leading product that will begin to be sold in 2024. We recognise, however, that there could be variations in the pace of improvement and growth and therefore we have modelled a range of scenarios for the outlook. Revenue growth, gross margins and the discount rate are the key assumptions on which the impairment calculations are most sensitive. The following table provides information on the impact on calculated headroom of possible scenarios for each of those key assumptions (independently in each case), the first showing the Board approved projections, the second the assumptions that result in zero headroom, and the third a severe but plausible downside scenario:

Input	Scenario	Sensitivity applied %	Headroom/ (impairment) £m
Compound annual revenue growth 2023-2028	Base case	14.4%	15.9
	Zero headroom	13.3%	–
	H&S sensitivity	12.5%	(6.9)
Average gross profit margin 2024-28 *	Base case	33.9%	15.9
	Zero headroom	31.5%	–
	H&S sensitivity	30.9%	(4.3)
Pre-tax discount rate	Base case	15.0%	15.9
	Zero headroom	17.7%	–
	H&S sensitivity	19.3%	(7.1)

* The base case assumes a gross profit margin averaging 33.9% across the period 2024-28, with minimal variation between years. The sensitivity scenario shows the potential impairment if the gross margin of 30.9% achieved in 2023 remains constant throughout the period 2024-28.

Prolectric

Prolectric manufactures, sells and rents a range of off-grid solar energy products including temporary and permanent solar lighting, lighting towers and hybrid power generators, to construction contractors, hire companies and private businesses across the UK infrastructure markets. Following a strong performance in 2022, its results in 2023 were impacted by a downturn in the UK construction market leading to lower revenues and profitability. The Group's projections for Prolectric result in calculated headroom of £15.6m. These projections assume a recovery in UK construction activity over the short to medium term, that the business's recent refocus into the more resilient facilities management sector will further support revenue growth, and that the niche solar lighting market in which Prolectric operates will see strong medium term growth rates driven by corporate sustainability initiatives. Consequently, the projections include compound annual revenue growth of 20.2% over the period 2023-28. We acknowledge, however, that there could be variations in the pace of recovery in underlying UK construction activity and in growth across Prolectric's other markets, and our sensitivity calculations indicate that compound annual revenue growth of 16.7% (all other assumptions in the model unchanged) would result in zero calculated headroom, while compound growth of 14.0% would lead to an impairment of £8.9m. The calculations are not particularly sensitive to other assumptions such as gross margins, long term growth rates or the discount rate and we do not believe that there are any reasonable possible changes in assumptions for these metrics that could lead to a material impairment.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant, machinery and vehicles £m	Total £m
Cost			
At 1 January 2022	129.6	237.8	367.4
Exchange adjustments	8.8	9.3	18.1
Acquisitions of subsidiaries (note 13)	0.3	1.5	1.8
Additions	3.5	25.7	29.2
Disposals of subsidiaries	(31.6)	(38.4)	(70.0)
Transfers from inventories	–	0.3	0.3
Disposals	(0.6)	(6.9)	(7.5)
Transfers to assets held for sale (note 15)	(2.9)	–	(2.9)
At 31 December 2022	107.1	229.3	336.4
Exchange adjustments	(4.4)	(5.4)	(9.8)
Acquisitions of subsidiaries (note 13)	3.9	2.6	6.5
Additions	6.8	21.3	28.1
Disposals of subsidiaries (note 5)	(0.4)	(0.8)	(1.2)
Transfers from right-of-use lease asset (note 16)	–	1.1	1.1
Transfers to inventory	–	(6.9)	(6.9)
Transfers to assets held for sale (note 15)	(3.4)	–	(3.4)
Reclassification to intangible fixed assets (note 13)	–	(0.8)	(0.8)
Reclassification	2.4	(2.4)	–
Disposals	(1.6)	(12.9)	(14.5)
At 31 December 2023	**110.4**	**225.1**	**335.5**
Depreciation and impairment losses			
At 1 January 2022	46.2	127.9	174.1
Exchange adjustments	2.6	3.8	6.4
Disposal of subsidiary	(19.8)	(21.8)	(41.6)
Disposals	(0.6)	(6.3)	(6.9)
Transfers to assets held for sale (note 15)	(1.1)	–	(1.1)
Charge for the year	4.0	15.1	19.1
Impairment	–	0.1	0.1
At 31 December 2022	31.3	118.8	150.1
Exchange adjustments	(1.5)	(2.1)	(3.6)
Disposals of subsidiaries (note 5)	(0.4)	(0.7)	(1.1)
Disposals	(1.9)	(11.6)	(13.5)
Transfers to assets held for sale (note 15)	(0.9)	–	(0.9)
Transfers from right-of-use lease asset (note 16)	–	0.2	0.2
Reclassification to intangible fixed assets (note 13)	–	(0.5)	(0.5)
Charge for the year	3.8	15.9	19.7
Impairment	0.7	–	0.7
At 31 December 2023	31.1	120.0	151.1
Carrying values			
At 1 January 2022	83.4	109.9	193.3
At 31 December 2022	75.8	110.5	186.3
At 31 December 2023	**79.3**	**105.1**	**184.4**

The gross book value of land and buildings includes freehold land of £17.8m (2022: £17.5m). Included within plant, machinery and vehicles are assets held for rental with a cost of £103.9m (2022: £98.6m) and accumulated depreciation of £51.5m (2022: £47.6m).

The gross book value of plant, machinery and vehicles includes assets under construction of £18.0m (2022: £20.6m).

15. ASSETS HELD FOR SALE

	2023 £m	2022 £m
Land and buildings	**2.5**	1.8
Total Assets held for sale	**2.5**	1.8

Assets held for sale at 31 December 2023 represent a property held by one of the Group's UK roads businesses that is expected to be sold in the first half of 2024, and whose carrying value has been reduced by £0.7m to reflect its fair value. Assets held for sale at 31 December 2022 represented the property that was vacated following the Group's exit from its low margin US road traffic control products business, which was sold in March 2023 at a profit of £0.7m.

16. LEASES

The leases held by the Group can be split into two categories: land and buildings, and plant and equipment. The Group leases various properties for its manufacturing and distribution activities. Plant and equipment includes all other leases, such as vehicles and machinery.

The movements in the carrying value of the right-of-use assets and lease liabilities in the years ended 31 December 2022 and 31 December 2023 were as follows:

Right-of-use assets	Land and buildings £m	Plant and equipment £m	Total £m
At 1 January 2022	28.0	10.2	38.2
Acquisitions of subsidiaries	1.0	–	1.0
Additions	5.1	4.0	9.1
Disposals of subsidiaries	(1.3)	(0.1)	(1.4)
Terminations	–	(0.3)	(0.3)
Depreciation charge for the year	(4.1)	(4.7)	(8.8)
Re-measurement	0.1	–	0.1
Impairment	(0.2)	–	(0.2)
Effect of movements in foreign exchange	0.9	0.1	1.0
At 31 December 2022	29.5	9.2	38.7
Acquisitions of subsidiaries	2.2	0.1	2.3
Additions	10.6	4.1	14.7
Disposals of subsidiaries	(0.1)	(0.2)	(0.3)
Terminations	(2.2)	(0.1)	(2.3)
Depreciation charge for the year	(5.6)	(3.7)	(9.3)
Transfers to property, plant and equipment (note 14)	–	(0.9)	(0.9)
Re-measurement	0.1	0.1	0.2
Impairment (note 5)	(0.6)	–	(0.6)
Effect of movements in foreign exchange	(0.7)	–	(0.7)
At 31 December 2023	**33.2**	**8.6**	**41.8**

16. LEASES continued

Lease liabilities	**2023 £m**	2022 £m
At 1 January	**39.3**	38.9
Additions	**14.6**	9.1
Terminations	**(2.4)**	(0.2)
Interest expense	**1.3**	0.8
Disposals of subsidiaries	**(0.3)**	(1.1)
Acquisitions of subsidiaries	**2.3**	1.0
Lease payments	**(10.4)**	(10.3)
Re-measurement	**–**	0.1
Effect of movements in foreign exchange	**(0.7)**	1.0
At 31 December	**43.7**	39.3

The following table shows the breakdown of the lease expense between amounts charged to operating profit and amounts charged to finance costs:

	2023 £m	2022 £m
Depreciation of right-of-use assets	**9.3**	8.8
Short-term lease expense	**1.0**	0.7
Low-value lease expense	**–**	0.1
Sublease income	**(0.1)**	(0.2)
Charged to operating profit	**10.2**	9.4
Interest expense relating to lease liabilities	**1.3**	0.8
Charged to profit before taxation	**11.5**	10.2

The maturity of the lease liabilities at 31 December was as follows:

	2023 £m	2022 £m
Due within one year	**8.0**	8.7
Due between one and two years	**6.7**	6.6
Due between two and three years	**5.5**	5.2
Due between three and four years	**4.1**	4.1
Due between four and five years	**3.0**	3.0
Due after more than five years	**16.4**	11.7
Total lease liabilities	**43.7**	39.3

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased asset portfolio and align with the Group's business needs. Management exercise judgement in determining whether these extension and termination options are reasonably certain to be exercised.

16. LEASES continued

Set out below are the:

- Undiscounted potential future rental payments relating to periods following the exercise date of extension that are not included in the lease term; and
- Undiscounted future rental payments relating to periods that are included in the lease term as the break clauses are not expected to be exercised.

	2023			2022		
	Within five years £m	More than five years £m	Total £m	Within five years £m	More than five years £m	Total £m
Extension options expected not to be exercised	0.3	9.4	9.7	0.2	10.1	10.3
Termination options expected not to be exercised	1.3	5.3	6.6	1.9	3.3	5.2

The Group has lease contracts that have not yet commenced as at 31 December 2023. The total future lease payments for these non-cancellable lease contracts are £4.5m (2022: £3.6m).

17. DEFERRED TAXATION

	Intangible assets £m	Property, plant and equipment £m	Inventories £m	Retirement obligation £m	Other timing differences £m	Total £m
At 1 January 2022	(11.0)	(10.0)	–	3.1	6.5	(11.4)
Exchange adjustments	(0.4)	(0.6)	–	–	0.3	(0.7)
Acquisition of subsidiary (note 13)	(0.2)	(0.1)	–	–	0.2	(0.1)
Disposals of subsidiaries	0.3	0.3	(0.3)	(1.2)	(0.5)	(1.4)
Credited/(charged) for the year in the Consolidated Income Statement (note 9)	2.6	(2.4)	0.2	(0.8)	3.0	2.6
Credited for the year in the Consolidated Statement of Comprehensive Income (note 9)	–	–	–	0.7	–	0.7
Charged for the year in the Consolidated Statement of Changes in Equity (note 9)	–	–	–		(1.2)	(1.2)
At 31 December 2022	**(8.7)**	**(12.8)**	**(0.1)**	**1.8**	**8.3**	**(11.5)**
Exchange adjustments	**0.2**	**0.3**	**0.1**	**–**	**(0.2)**	**0.4**
Acquisitions of subsidiaries (note 13)	**(2.8)**	**(0.3)**	**0.2**	**–**	**1.4**	**(1.5)**
Credited/(charged) for the year in the Consolidated Income Statement (note 9)	**0.9**	**(4.4)**	**0.4**	**(0.9)**	**5.7**	**1.7**
Credited for the year in the Consolidated Statement of Comprehensive Income (note 9)	**–**	**–**	**–**	**0.1**	**–**	**0.1**
Credited for the year in the Consolidated Statement of Changes in Equity (note 9)	**–**	**–**	**–**	**–**	**1.3**	**1.3**
At 31 December 2023	**(10.4)**	**(17.2)**	**0.6**	**1.0**	**16.5**	**(9.5)**

17. DEFERRED TAXATION continued

	2023 £m	2022 £m
Deferred tax assets	**0.4**	0.1
Deferred tax liabilities	**(9.9)**	(11.6)
Deferred tax liability	**(9.5)**	(11.5)

The deferred tax asset of £16.5m (2022: £8.3m) in respect of other timing differences includes £10.3m (2022: £4.0m) in relation to tax losses and £2.9m (2022: £0.8m) in relation to share based payments.

No deferred tax asset has been recognised in respect of other tax losses of £16.5m (2022: £17.6m) as their future use is uncertain. There is no time limit on the carrying forward of the losses. The losses are predominantly capital losses.

No deferred tax liability is recognised on temporary differences of £0.7m (2022: £0.4m) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. The Group does not expect this to crystallise into a cash expense in the near future.

The UK headline corporation tax rate for the year was 23.5% (2022: 19.0%). In the Spring Budget of 2021, the UK Government announced that from 1 April 2023 the rate of UK corporation tax would increase from 19% to 25%. This rate change was substantively enacted on 24 May 2021. UK deferred tax assets and liabilities have therefore been calculated at a rate of 25% (2022: 25%).

18. INVENTORIES

	2023 £m	2022 £m
Raw materials and consumables	**64.4**	62.1
Work in progress	**9.6**	8.8
Finished goods and goods for resale	**32.1**	42.9
	106.1	113.8

The amount of inventories expensed to the Consolidated Income Statement in the year was £442.6m (2022: £443.7m). The value of inventories written down and expensed in the Consolidated Income Statement during the year amounted to £3.7m (2022: £0.3m). The amount of inventories held at fair value less cost to sell included in the above was £nil (2022: £nil).

19. TRADE AND OTHER RECEIVABLES

	2023 £m	2022 £m
Trade and other current receivables		
Trade receivables	**118.4**	126.1
Prepayments	**6.2**	5.8
Other receivables	**0.9**	0.7
Fair value derivatives	**–**	0.3
Contract assets	**11.8**	11.4
	137.3	144.3

The movements in contract assets, and deferred income (note 21), during the year correspond to the completion of performance obligations partially satisfied as at 31 December 2022 offset by contracts that are in progress at 31 December 2023.

20. CASH AND BORROWINGS

	2023 £m	2022 £m
Cash and cash equivalents in the Consolidated Statement of Financial Position		
Cash and cash equivalents	**34.4**	24.8
Bank overdraft (note 21)	**–**	–
Cash and cash equivalents net of bank overdraft	**34.4**	24.8
Interest bearing loans and other borrowings		
Amounts due within one year (note 21)	**(1.4)**	(0.3)
Amounts due after more than one year (note 22)	**(97.7)**	(104.9)
Lease liabilities due within one year (note 16)	**(8.0)**	(8.7)
Lease liabilities due after more than one year (note 16)	**(35.7)**	(30.6)
Net debt	**(108.4)**	(119.7)
Change in net debt		
Operating profit:		
– from continuing operations	**103.8**	78.5
– from discontinued operations	**–**	5.0
Total Group operating profit	**103.8**	83.5
Non-cash items	**47.6**	46.3
Operating cash flow before movement in working capital	**151.4**	129.8
Net movement in working capital	**22.8**	(42.6)
Changes in provisions and employee benefits	**(0.8)**	(4.3)
Operating cash flow	**173.4**	82.9
Tax paid	**(31.7)**	(15.5)
Net financing costs paid	**(8.4)**	(5.9)
Capital expenditure	**(31.8)**	(31.5)
Proceeds on disposal of non-current assets and assets held for sale	**3.3**	0.4
Free cash flow	**104.8**	30.4
Dividends paid (note 12)	**(28.0)**	(24.7)
Acquisitions of subsidiaries (note 13)	**(53.5)**	(25.6)
Disposals of subsidiaries (note 5)	**(0.2)**	58.6
Amortisation of costs associated with refinancing activities (note 7)	**(0.6)**	(2.4)
Purchase of shares for employee benefit trust	**(2.6)**	(0.4)
Issue of new shares (note 25)	**1.8**	1.9
Lease additions, terminations and remeasurements (note 16)	**(12.6)**	(9.0)
Leases disposed of (note 5)	**0.3**	2.8
Loans and borrowings disposed of (note 5)	**–**	0.3
Interest on lease liabilities (note 16)	**(1.3)**	(0.8)
Net debt decrease	**8.1**	31.1
Effect of exchange rate fluctuations	**3.2**	(6.1)
Net debt at the beginning of the year	**(119.7)**	(144.7)
Net debt at the end of the year	**(108.4)**	(119.7)

20. CASH AND BORROWINGS continued

Reconciliation of movements in financial liabilities to cash flows arising from financing activities

	2023 £m	2022 £m
Interest bearing loans and other borrowings and lease liabilities		
At 1 January	**144.2**	162.6
New loans and borrowings	**73.9**	160.8
Repayments of loans and borrowings	**(76.3)**	(184.8)
Payment of lease liabilities	**(9.4)**	(9.5)
Costs of refinancing during the year	**(0.5)**	(2.1)
Cash flows used in financing activities	**(12.3)**	(35.6)
Other changes		
Effect of exchange rate fluctuations	**(3.2)**	6.9
Amortisation of costs associated with refinancing activities (note 7)	**0.6**	2.4
Loans and borrowings disposed of (note 5)	**–**	(0.3)
Lease changes:		
Effect of exchange rate fluctuations	**(0.7)**	1.0
New leases	**14.6**	9.1
Terminations	**(2.4)**	(0.2)
Re-measurement	**–**	0.1
Acquisitions of subsidiaries	**2.3**	1.0
Disposals of subsidiaries	**(0.3)**	(2.8)
Interest expense	**1.3**	0.8
Interest paid	**(1.3)**	(0.8)
At 31 December	**142.8**	144.2

21. CURRENT LIABILITIES

	2023 £m	2022 £m
Interest bearing loans and borrowings		
Loans and borrowings	**1.4**	0.3
Bank overdrafts	**–**	–
	1.4	0.3
Trade and other current liabilities		
Trade payables	**53.4**	67.8
Other taxation and social expenses	**4.1**	4.4
Accrued expenses	**47.0**	41.2
Deferred consideration on acquisitions	**2.2**	–
Deferred income	**9.3**	4.8
Fair value derivatives	**0.3**	–
Other payables	**3.3**	2.6
	119.6	120.8

The amount of contract liabilities included in deferred income as at 31 December 2023 was £1.6m (2022: £2.1m). During the year, £2.0m (2022: £4.3m) of revenue was recognised in respect of contract liabilities present as at 1 January 2023.

22. NON-CURRENT LIABILITIES

	2023 £m	2022 £m
Interest bearing loans and borrowings		
Loans and borrowings	**97.7**	104.9
	97.7	104.9
Other non-current liabilities		
Deferred consideration on acquisitions	**1.0**	0.2
	1.0	0.2

23. PROVISIONS

	Environmental £m	Restructuring £m	Product rectification £m	Other £m	Total £m
At 1 January 2022	2.0	3.6	–	0.8	6.4
Exchange adjustments	0.1	–	–	–	0.1
Acquisitions of subsidiaries	–	–	–	1.4	1.4
Disposals of subsidiaries	(0.9)	–	–	–	(0.9)
Charged during the year	–	1.6	–	–	1.6
Utilised during the year	–	(1.8)	–	(0.4)	(2.2)
At 31 December 2022	**1.2**	**3.4**	**–**	**1.8**	**6.4**
Exchange adjustments	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Charged during the year	**–**	**1.1**	**3.1**	**–**	**4.2**
Utilised during the year	**–**	**(1.2)**	**(0.1)**	**–**	**(1.3)**
At 31 December 2023	**1.2**	**3.3**	**3.0**	**1.7**	**9.2**

	2023 £m	2022 £m
Amounts due within one year	**6.6**	3.7
Amounts due after more than one year and less than five years	**2.6**	2.7
	9.2	6.4

Environmental provisions

Environmental provisions recognise the estimated cost of remediating contaminated land at a number of the Group's operating sites, where it is considered probable that the Group will be obliged to carry out the necessary remediation work. Primarily the issues identified relate to sites acquired through acquisitions of businesses. As a consequence of the nature of the liabilities, the timescales are uncertain and the provisions represent the Directors' best estimate of the associated costs. The Group has sought expert external valuations where appropriate.

Restructuring provisions

Restructuring provisions represent the cash costs of closing or rationalising operations. The provisions represent the Directors' best estimate of the liabilities arising and are expected to be settled within the next twelve months. The provision of £3.4m at 31 December 2022 included £2.9m relating to the closure of the Group's variable message sign business that was announced in 2021. £1.1m of this provision has been utilised during 2023 and a further £0.9m charged, as explained in note 5.

Product rectification

The charge for the year of £3.1m includes £2.8m in respect of an issue identified with the historical installation of certain products by Prolectric Services Limited, our UK off-grid solar lighting business. This issue is expected to be remediated during 2024.

Other provisions

Other provisions relate to various matters including obligations in respect of onerous leases, property dilapidations and claims or disputes.

24. FINANCIAL INSTRUMENTS

(a) Management of financial risks

Overview

The Group has exposure to a number of risks associated with its use of financial instruments.

This note presents information about the Group's exposure to each of these risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these Consolidated Financial Statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. A programme of commercial, operating, financial and third party reviews is in place to assist the Group Audit Committee with its assessment of the effectiveness of risk management and internal control procedures.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises from cash and cash equivalents, derivative financial instruments and principally from the Group's receivables from customers. The maximum exposure to credit risk for receivables and other financial assets is represented by their carrying amount.

The Group has a policy of insuring a substantial majority of receivables in its UK businesses, which account for 45% (2022: 43%) of the Group's trade receivables. Any residual uninsured risk is spread across a significant number of customers. In our US businesses, which account for 46% (2022: 48%) of the Group's trade receivables, our operating companies have a policy of taking out trade references before granting credit limits and selectively insuring against credit risk where it is deemed appropriate by management. Purchase limits are established for each customer and are reviewed regularly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis. The Group's other overseas businesses operate on a similar basis to the US. As a result of these policies, impairment losses are not significant.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

It is the Group's policy to minimise its liquidity risk in terms of limiting the amounts of loans and borrowings maturing within the next 12 months. As at 31 December 2023 all such debt was covered by cash and cash equivalents netting to £33.0m positive current liquidity (2022: £24.5m).

The Group's principal UK revolving credit facility is unsecured, has a value of £250m and now has a maturity in November 2027 following the one-year extension agreed with lenders during the year. Along with various other secured and on demand lines of credit, including bank overdrafts, the Group has access to bank borrowing facilities of £256.6m at 31 December 2023 (2022: £262.2m).

In addition, in 2019 the Group signed an agreement with an institutional investor for a private placement of $70m new senior unsecured notes ("Senior Unsecured Notes"). The issue consisted of two equal tranches with maturities in June 2026 and June 2029 respectively.

At 31 December 2023, the Group's total committed borrowing facilities were £307.3m (2022: £309.0m) and the amount undrawn at this date was £206.2m (2022: £201.6m).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Group buys and sells derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board. Refer to note 24(f) for further details.

24. FINANCIAL INSTRUMENTS continued

Counterparty risk

A group of relationship banks provides the bulk of the banking services, with pre-approved credit limits set for each institution. Financial derivatives may be entered into with these core banks and the underlying credit exposure to these instruments is included when considering the credit exposure to the counterparties. At the end of 2023 credit exposure including cash deposited did not exceed £6.8m with any single institution (2022: £6.8m).

Currency risk

The Group publishes its Consolidated Financial Statements in Sterling, but conducts business in several foreign currencies, including significant operations based in the US. This results in foreign currency exchange risk due to exchange rate movements, which will affect the Group's transaction costs and, more significantly, the translation of the results and net assets of its foreign operations. The Group's translation reserve includes a loss of £19.4m (2022: gain of £27.4m), principally as a result of Sterling's appreciation against the US Dollar in 2023, representing this translation effect on overseas earnings and net assets.

The trading currency of each operation is predominantly in the same denomination. However, the Group uses forward exchange contracts to minimise currency risk where appropriate. The Group does not apply hedge accounting to these derivative financial instruments.

The Group has hedged its investment in its US operations by way of financing the acquisitions through like denominations of its bank borrowings and the Senior Unsecured Notes. The Group's investments in other subsidiaries are not hedged because fluctuations on translation of their assets into Sterling are not significant to the Group.

Interest rate risk

The Senior Unsecured Notes account for 55% (2022: 55%) of the Group's outstanding gross borrowings at 31 December 2023 and attract a fixed rate of interest averaging 3.92% (2022: 3.92%) per annum. All other borrowings bear interest at floating rates. At the current time the Group feels that this ratio of fixed to floating borrowings is appropriate but continues to monitor it in the context of economic indicators and wider market conditions.

Insurance

The Group purchases insurance for commercial, legal and contractual reasons. The Group retains insurable risk where external insurance is not commercially viable.

Capital management

The Group maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors both the demographic spread of shareholders, as well as the return, which the Group defines as total shareholders' equity and the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There are financial covenants associated with the Group's borrowings, which are interest cover and EBITDA to net debt. The Group comfortably complied with these covenants in 2023 and 2022.

There were no significant changes in the Group's approach to capital management during the year.

24. FINANCIAL INSTRUMENTS continued

(b) Total financial assets and liabilities

The table below sets out the Group's accounting classification of its financial assets and liabilities and their fair values as at 31 December. The fair values of all financial assets and liabilities are not materially different to the carrying values.

	Designated at fair value £m	Amortised cost £m	Total carrying value £m	Fair value £m
Cash and cash equivalents net of bank overdraft	**–**	**34.4**	**34.4**	**34.4**
Loans and other borrowings due within one year	**–**	**(1.4)**	**(1.4)**	**(1.4)**
Loans and other borrowings due after more than one year	**–**	**(97.7)**	**(97.7)**	**(97.7)**
Lease liabilities due within one year	**–**	**(8.0)**	**(8.0)**	**(8.0)**
Lease liabilities due after more than one year	**–**	**(35.7)**	**(35.7)**	**(35.7)**
Derivative liabilities	**(0.3)**	**–**	**(0.3)**	**(0.3)**
Other assets	**–**	**119.3**	**119.3**	**119.3**
Other liabilities	**–**	**(106.9)**	**(106.9)**	**(106.9)**
Total at 31 December 2023	**(0.3)**	**(96.0)**	**(96.3)**	**(96.3)**
Cash and cash equivalents net of bank overdraft	–	24.8	24.8	24.8
Loans and other borrowings due within one year	–	(0.3)	(0.3)	(0.3)
Loans and other borrowings due after more than one year	–	(104.9)	(104.9)	(104.9)
Lease liabilities due within one year	–	(8.7)	(8.7)	(8.7)
Lease liabilities due after more than one year	–	(30.6)	(30.6)	(30.6)
Derivative assets	0.3	–	0.3	0.3
Other assets	–	127.4	127.4	127.4
Other liabilities	–	(111.6)	(111.6)	(111.6)
Total at 31 December 2022	0.3	(103.9)	(103.6)	(103.6)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either as a direct price or indirectly derived from prices.
- Level 3: inputs for the asset or liability that are not based on observable market data.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial liabilities	**–**	**(0.3)**	**–**	**(0.3)**
Total at 31 December 2023	**–**	**(0.3)**	**–**	**(0.3)**
Derivative financial assets	–	0.3	–	0.3
Total at 31 December 2022	–	0.3	–	0.3

At 31 December 2023 the Group did not have any assets or liabilities classified at Level 1 or Level 3 in the fair value hierarchy (2022: nil). There have been no transfers in any direction in the year.

The Group's financial assets, excluding short term receivables, consist mainly of cash and call deposit accounts.

Where cash surpluses arise in the short term, interest is earned based on a floating rate related to bank base rate or SONIA/SOFR/EURIBOR. Where the Group's funding requirements allow longer term investment of surplus cash, management will review available options to obtain the best possible return whilst maintaining an appropriate degree of access to the funds.

24. FINANCIAL INSTRUMENTS continued

The Group's financial liabilities, excluding short term creditors, are set out below. Fixed rate financial liabilities comprise US Dollar denominated Senior Unsecured Notes. Floating rate financial liabilities comprise Sterling and US Dollar bank loans and overdrafts, and lease liabilities. The floating rate bank loans and overdrafts bear interest at rates related to bank base rates or SONIA/SOFR. The floating rates of the lease liabilities are determined using the Group's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Each subsidiary has financial assets and liabilities which are predominantly in the same denomination as that subsidiary's functional currency. The financial assets and liabilities not denominated in the functional currency of these entities are insignificant to the Group.

Certain UK subsidiaries hold US Dollar £68.1m (2022: £66.7m) denominated interest bearing loans, which are predominantly used to fund the Group's US operations and are designated as a hedge of the net investment in those foreign operations. The foreign currency gain of £4.2m (2022: loss of £4.8m) for the effective portion was recognised in the Consolidated Statement of Comprehensive Income netted against exchange differences on translation of foreign operations. Any ineffective portion recognised in the Consolidated Income Statement is insignificant.

Fixed rate financial liabilities

	Weighted average interest rate %	Weighted average period for which rate is fixed Years
US Dollar at 31 December 2023	**3.9**	**4.0**
US Dollar at 31 December 2022	3.9	5.0

(c) Maturity profile

The table below sets out the contractual cash flows associated with the Group's financial liabilities, including estimated interest payments, analysed by maturity:

	Effective interest rate	Carrying amounts £m	Contractual cash flows £m	Due within one year £m	Due between one and two years £m	Due between two and five years £m	Due after more than five years £m
Unsecured loans and borrowings	**Floating**	**44.1**	**(57.3)**	**(4.3)**	**(2.9)**	**(50.1)**	**–**
Senior Unsecured Notes	**3.9%**	**55.0**	**(63.9)**	**(2.2)**	**(2.2)**	**(31.4)**	**(28.1)**
Lease liabilities	**Floating**	**43.7**	**(51.6)**	**(9.5)**	**(7.8)**	**(14.7)**	**(19.6)**
Other liabilities	**n/a**	**114.6**	**(114.6)**	**(113.6)**	**(1.0)**	**–**	**–**
Derivative liabilities	**n/a**	**0.3**	**(0.3)**	**(0.3)**	**–**	**–**	**–**
Total at 31 December 2023		**257.7**	**(287.7)**	**(129.9)**	**(13.9)**	**(96.2)**	**(47.7)**
Secured loans and borrowings	Floating	0.4	(0.4)	(0.3)	–	(0.1)	–
Unsecured loans and borrowings	Floating	46.7	(57.8)	(2.4)	(2.4)	(53.0)	–
Senior Unsecured Notes	3.9%	58.1	(69.8)	(2.3)	(2.3)	(34.3)	(30.9)
Lease liabilities	Floating	39.3	(39.3)	(8.7)	(6.6)	(12.3)	(11.7)
Other liabilities	n/a	116.5	(116.5)	(116.3)	(0.2)	–	–
Total at 31 December 2022		261.0	(283.8)	(130.0)	(11.5)	(99.7)	(42.6)

The unsecured bank borrowings bear interest based on SONIA/SOFR/EURIBOR, plus a margin (as defined in the facilities agreement) which varies depending on the Group's ratio of net debt to EBITDA. The secured loans and borrowings in 2022 were held by subsidiaries in the USA and bore interest at varying rates linked to underlying US bond markets.

24. FINANCIAL INSTRUMENTS continued

The Group had the following undrawn committed facilities at 31 December, in respect of which all conditions precedent had been met:

	2023 £m	2022 £m
Undrawn committed borrowing facilities	**206.2**	201.6

(d) Fair values

The fair value of forward currency exchange contracts realised in the Consolidated Income Statement as part of fair value derivatives amounted to £nil (2022: £nil). The fair values of the Group's other financial instruments at 31 December 2023 and 2022 were not materially different to their carrying value. Fair values were calculated using market rates where available, otherwise cash flows were discounted at prevailing rates.

Impairment charges of £1.3m (2022: £6.4m) were recognised in respect of the carrying values of non-current assets as detailed in notes 13, 14 and 16.

(e) Credit risk

Exposure to credit risk

The exposure to credit risk is substantially mitigated by the credit insurance employed by the Group. In the absence of this insurance the maximum credit exposure on the carrying value of financial assets at the reporting date was:

Carrying amount

	2023 £m	2022 £m
Trade and other receivables and contract assets at amortised cost	**131.1**	138.2
Cash and cash equivalents at the end of the year	**34.4**	24.8
Total	**165.5**	163.0

Carrying value of trade receivables by geography

	2023 £m	2022 £m
UK	**53.3**	53.3
Rest of Europe	**3.2**	5.6
North America	**54.6**	61.4
Rest of the world	**7.3**	5.8
Total	**118.4**	126.1

Carrying value of trade receivables by business segment

	2023 £m	2022 £m
Roads & Security	**37.0**	50.7
Engineered Solutions	**51.6**	47.3
Galvanizing Services	**29.8**	28.1
Total	**118.4**	126.1

Impairment losses

The Group maintains a level of credit insurance covering a significant part of its trade receivables which mitigates against possible impairment losses. An impairment assessment is performed at each reporting date to assess whether there has been a significant increase in the credit risk. Expected credit loss rates are calculated individually for each business within the Group and are based on historical observed default rates, adjusted for forward-looking information where applicable, which is based on available macroeconomic information. The assessment of the correlation between forecast economic conditions and expected future credit losses is an estimate but is not determined to be a significant estimate as the Group does not expect future credit losses to be materially different to the credit losses estimated at the reporting date. The charge to the Consolidated Income Statement in the year in respect of the expected loss of trade receivables was £1.5m (2022: £0.4m). The Group does not require collateral in respect of trade and other receivables. The Group does not have trade receivables or contract assets for which no loss allowance is recognised because of collateral.

24. FINANCIAL INSTRUMENTS continued

The ageing of trade receivables at the reporting date was:

	2023			2022		
	Gross £m	**Provisions £m**	**Net £m**	Gross £m	Provisions £m	Net £m
Not past due	**77.1**	**–**	**77.1**	87.3	–	87.3
Past due 1–30 days	**26.8**	**(0.1)**	**26.7**	27.0	(0.1)	26.9
Past due 31–120 days	**11.6**	**(0.2)**	**11.4**	8.2	(0.3)	7.9
Past due more than 120 days	**7.1**	**(3.9)**	**3.2**	7.0	(3.0)	4.0
Total	**122.6**	**(4.2)**	**118.4**	129.5	(3.4)	126.1

The movements in provisions for impairment of trade receivables are as follows:

	£m
At 1 January 2022	4.2
Exchange adjustments	0.1
Acquisitions of subsidiaries	0.2
Disposals of subsidiaries	(0.8)
Charged in the year	0.4
Utilised during the year	(0.7)
At 31 December 2022	**3.4**
Exchange adjustments	**(0.1)**
Acquisitions of subsidiaries	**0.5**
Charged in the year	**1.5**
Utilised during the year	**(1.1)**
At 31 December 2023	**4.2**

(f) Market Risk – Sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates may have an impact on consolidated earnings. At the end of the reporting periods, the effects of hypothetical changes in interest and currency rates are as follows:

- Based on average month end net debt balances, if interest rates had varied throughout the year by 1% the positive or negative variation on the year's result would have been £1.1m, which would directly impact on the Consolidated Income Statement.
- Based on a 10% weakening in Sterling against all currencies throughout the year, the impact on the total group underlying operating profit in the Consolidated Income Statement would have been a gain of £8.6m and the impact on equity would have been an increase of £32.4m.
- Based on a 10% strengthening in Sterling against all currencies throughout the year, the impact on the total group underlying operating profit in the Consolidated Income Statement would have been a loss of £6.5m and the impact on equity would have been a decrease of £26.5m.

25. CALLED UP SHARE CAPITAL

	2023 £m	2022 £m
Allotted, called up and fully paid		
80.2m ordinary shares of 25p each (2022: 80.0m)	**20.0**	20.0

In 2023 the Company issued 0.2m shares under its various share option schemes (2022: 0.2m), realising £1.8m (2022: £1.9m).

Each ordinary share carries equal voting rights and there are no restrictions on any share.

Options outstanding over the Company's shares

The Group operates a number of employee share schemes categorised as follows:

- Save As You Earn ("SAYE") schemes – SAYE is a tax qualifying monthly savings scheme facilitating the purchase of shares at a discount as permitted by the applicable legislation (currently up to a maximum discount of 20%). SAYE options may be exercised in the event of a change of control to the extent permitted by the rules of the scheme. Such schemes are typically issued annually, are either three or five years and are offered to employees in the UK
- Long Term Incentive Plans ("LTIP"), Restricted Stock Units ("RSU") and Executive Share Option Schemes ("ESOS") – The Remuneration Committee may, at its discretion, structure awards as approved awards comprising a tax qualifying option granted under the ESOS, RSU and LTIP awards. LTIP and RSU awards are at nil cost and ESOS is a costed option
- Buy-out awards – On joining the Company, certain senior managers may forfeit long term incentive awards at their previous employer. The Company may compensate them for these awards by granting awards over Hill & Smith shares. The awards are at nil cost.

The number of options outstanding by scheme is as follows:

	2023		2022	
	Number of shares	Option price range (p)	Number of shares	Option price range (p)
SAYE schemes †	**823,938**	**794p to 1,485p**	920,387	794p to 1,485p
LTIP awards †^	**567,808**	**–**	513,203	–
ESOS awards †^	**265,233**	**316p to 1,113p**	345,768	316p to 1,113p
RSU awards †	**44,400**	**–**	–	–
Buy-out awards	**21,187**	**–**	23,704	–
Outstanding at the end of the year	**1,722,566**		1,803,062	
Exercisable at the year end	**288,173**		387,237	
Not exercisable at the year end	**1,434,393**		1,415,825	
Outstanding at the end of the year	**1,722,566**		1,803,062	

† Options may be exercised early under the terms of this scheme if employees meet the criteria of 'good leaver', which encompasses circumstances such as retirement or redundancy. Otherwise, awards will vest if the participants continue to be in employment at the vesting date.

^ Vesting of awards under the LTIP and ESOS schemes is subject to various financial performance criteria.

The remaining weighted average life of the outstanding share options is 5 years 0 months (2022: 3 years 11 months).

25. CALLED UP SHARE CAPITAL continued

The movement and weighted average exercise prices of share options during the year are as follows:

	Weighted average exercise price (p) 2023	Millions of options 2023	Weighted average exercise price (p) 2022	Millions of options 2022
Outstanding at the beginning of the year	**655**	**1.8**	696	1.7
Granted during the year	**480**	**0.3**	513	0.9
Exercised during the year	**(810)**	**(0.2)**	(674)	(0.3)
Lapsed during the year	**(583)**	**(0.2)**	(513)	(0.5)
Outstanding at the end of the year	**610**	**1.7**	655	1.8

The weighted average share price on the dates of exercise of share options during the year was 1,483p (2022: 1,550p), and the weighted average fair value of options and awards granted in the year was 1,214p (2022: 560p). The weighted average exercise price of outstanding options exercisable at the year end was 1,102p (2022: 1,103p).

Share-based payments – options

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options granted. The estimate of the fair value of the services received is measured based on the Black–Scholes model where vesting is based on non-market conditions, or a Monte Carlo Simulation where vesting is based on market conditions. The contractual life is the life of the option in question and the growth in dividend yield is based on the best current estimate of future yields over the contractual period.

The expected volatility is wholly based on the historical volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

Share options have been granted to qualifying employees in line with either HM Revenue & Customs approved or unapproved schemes. Other than the LTIP, RSU and Buy-out awards, the strike price for the option is made based on the market values of shares at the date the option is offered.

As explained in the Directors Remuneration Report on pages 94 to 106, bonuses awarded to the Executive Directors include an element awarded in shares, deferred for a period of two years. The Group has determined the fair value of such awards to be equal to their cash equivalent. The resulting charge is included in the expense arising from share-based payments in the year to which the awards relate.

The key assumptions for the grants in the current and prior year were as follows:

	2023			2022		
	SAYE	LTIP/RSU	Buy-out awards	SAYE	LTIP	Buy-out awards
Expected share price volatility (%)	**24%/15%**	**32%**	**n/a**	24%/15%	32%	0%
Dividend yield (%)	**2.07%**	**0.0%**	**n/a**	3.19%	0.0%	0.0%
Option life (years)	**3/5**	**3**	**n/a**	3/5	3	0.8
Risk free interest rate (%)	**4.6%/4.5%**	**3.44%**	**n/a**	4.1%	1.45%	0%

The total expense recognised for the period arising from share-based payments is as follows:

	2023 £m	2022 £m
Equity-settled	**3.7**	2.4
Cash-settled	**0.4**	(0.4)
Total expensed during the year	**4.1**	2.0

The carrying amount of the liability in relation to cash-settled share-based payments at the end of the year was £0.7m (2022: £0.3m).

26. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

(a) Guarantees

Subsidiary audit exemptions

Hill & Smith PLC has issued guarantees over the liabilities of the following predominantly non-trading UK subsidiaries as at 31 December 2023 under Section 479C of the Companies Act 2006. These entities are exempt from the requirements of the Act relating to the audit of individual accounts by virtue of Section 479A of the Act:

Company Name	Company Number
Bergen Pipe Supports Limited	00926644
Bergen Pipe Supports Group Limited	01013871
Hill & Smith (International) Limited	11331411
Hill & Smith (Americas) Limited	07269581
Hill & Smith (Americas) 2 Limited	10783462
Hill & Smith (Americas) 3 Limited	12060645
Hill & Smith (France) Limited	06768033
Hill & Smith Overseas Limited	06614400
Hill & Smith (Treasury) Limited	06814150
Hill & Smith (USA) Limited	06876775
Hardstaff Barriers Limited	02791285
Cobaco Holdings Limited	08317210
Signpost Solutions Limited	01084535
Mallatite Minor Structures & Products Limited	13717429
Bowater Doors Limited	13738120
Expamet Limited	13748629
VMS Newco Limited	12968560
Varley & Gulliver Limited	00330433
Ash & Lacy Limited	00047169
Ash & Lacy Manufacturing Limited	03008964
Ash & Lacy Services Limited	02798286
Hawkshead Properties Limited	00562451
Redman Fisher Engineering Limited	00169316
Hill & Smith (Australia) Limited	14411306
Widnes Galvanising Limited	02206443

The Group had no financial guarantee contracts outstanding as at 31 December 2023.

(b) Capital commitments

	2023 £m	2022 £m
Contracted for but not provided in the accounts	**5.6**	3.8

26. GUARANTEES AND OTHER FINANCIAL COMMITMENTS continued

(c) Operating lease receivables

The total future minimum commitments receivable under non-cancellable operating leases are analysed as follows:

	2023		2022	
	Land and Buildings £m	Other £m	Land and Buildings £m	Other £m
Group				
Within one year	**0.1**	**6.4**	0.1	4.8
Between one and five years	**–**	**0.7**	–	1.4
	0.1	**7.1**	0.1	6.2

(d) Purchase commitments

Certain Group companies enter into purchase commitments which obligate the Group to buy specified amounts of raw materials from sellers at a future point in time (usually within one year from the balance sheet date). These commitments are summarised as follows:

	2023 £m	2022 £m
Contracted for but not provided in the accounts	**19.1**	16.7

27. PENSIONS

Total

The total Group retirement benefit assets and obligations are detailed below:

	UK £m	US £m	2023 £m	UK £m	US £m	2022 £m
Total fair value of scheme assets	**48.5**	**2.7**	**51.2**	44.9	2.7	47.6
Present value of scheme funded obligations	**(51.9)**	**(3.4)**	**(55.3)**	(51.4)	(3.4)	(54.8)
Retirement benefit obligation	**(3.4)**	**(0.7)**	**(4.1)**	(6.5)	(0.7)	(7.2)

United Kingdom

The Group operates one main pension scheme in the UK, the Hill & Smith 2016 Pension Scheme ('the Scheme'), providing benefits on a defined benefit and defined contribution basis. The Scheme is closed to future accrual and is subject to the statutory scheme specific funding requirements outlined in UK legislation. The weighted average maturity (the 'duration') of the defined benefit plan obligations at the end of the reporting period is approximately 10 years (2022: 11 years).

The assets of the Scheme are administered by Trustees and are kept entirely separate from those of the Group. The Trustees undertake a full funding valuation of the Scheme every three years, which is used to determine the rates at which the Group contributes to the Scheme, with the objective of providing the funds required to meet pension obligations as they fall due.

The Group remains actively engaged in dialogue with the Scheme's Trustees with regard to management, funding and investment strategy. Following the triennial funding valuation of the Scheme as at April 2022, which was finalised early in 2023, the Group continues to have a deficit recovery plan with the Trustees that requires cash contributions of £3.7m per annum until September 2027. The results of the triennial valuation have been incorporated in the IAS 19 position at 31 December 2023, updated by an independent qualified actuary.

The Consolidated Income Statement for the year includes a pension charge within operating profit of £3.3m (2022: £3.0m), which includes the costs of the defined contribution and the defined benefit sections of the Scheme. All actuarial gains and losses are recognised immediately in the Consolidated Statement of Comprehensive Income.

27. PENSIONS continued

The Scheme exposes the Group to a number of risks, the most significant being:

Risk	Description
Volatile asset returns	The defined benefit obligation is calculated using a discount rate set with reference to high quality corporate bond yields. If assets underperform against this discount rate, this will create a plan deficit. The Scheme holds a proportion of its assets in growth assets which are expected to outperform corporate bonds in the long term. However, returns are likely to be volatile in the short term, potentially resulting in short term cash requirements and an increase in the deficit recorded in the Consolidated Statement of Financial Position. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long term objectives.
Changes in bond yields	A decrease in corporate bond yields will increase the funding and accounting liabilities, although this will be partially offset by an increase in the value of the Scheme's investments in Liability Driven Investment and bond funds.
Inflation risk	A significant proportion of the defined benefit obligation is indexed in line with price inflation, with higher inflation leading to higher liabilities. This risk will be partially offset by the Scheme's Liability Driven Investments, which will increase in value in line with market inflation expectations.
Life expectancy	The majority of the Scheme's obligations are to provide a pension for the life of each of the members, so increases in life expectancy will result in an increase in the liabilities.

The principal assumptions used to value the Scheme's liabilities at 31 December

	2023	2022
Rate of increase in salaries	**n/a**	n/a
Rate of increase in pensions payment	**3.1%**	3.2%
Discount rate	**4.5%**	4.9%
Inflation – RPI	**3.2%**	3.3%
Inflation – CPI	**2.3%**	2.4%
Mortality table	**114%/117%**	114%/117%
	CMI 2022	CMI 2021
	1.25%	1.25%

The mortality assumptions imply the following expected future lifetimes from age 65:

	2023	2022
Males currently aged 45	**21.6 years**	22.1 years
Females currently aged 45	**24.1 years**	24.6 years
Males currently aged 65	**20.4 years**	20.9 years
Females currently aged 65	**22.7 years**	23.2 years

The assumptions have been chosen by the Directors from a range of possible actuarial assumptions which, due to the timescales covered, may not be borne out in practice. The Group takes advice from an independent actuary regarding the appropriateness of the assumptions used.

Over the last two years, short-term inflation in the UK has at times been significantly higher than we have seen in previous years. The Group has made an allowance for this higher inflation experience within the liabilities of the Scheme. Over the duration of the Scheme's liabilities, market expectations of inflation (which have been used to derive the inflation assumptions above) are significantly lower than this recent experience.

27. PENSIONS continued

Assets and liabilities

The Scheme holds assets and liabilities in respect of defined contribution benefits which are equal in value and are excluded from the following figures. The fair values of Scheme assets in respect of the defined benefit scheme, which are not intended to be realised in the short term and may be subject to significant change before they are realised are detailed below. In addition, the value of the Scheme liabilities, which is derived from cash flow projections over an average period of approximately 10 years (the weighted average term maturity of the Scheme's liabilities) and which is therefore inherently uncertain is also set out below.

	Market value 2023 £m	Market value 2022 £m
Assets		
Equities	–	–
Bonds	15.6	14.8
With profits policies	0.9	0.9
Liability Driven Investment ("LDI") funds	15.0	12.4
Cash	4.8	5.5
Alternatives*	12.2	11.3
Total fair value of Scheme assets	48.5	44.9
Present value of Scheme funded obligations	(51.9)	(51.4)
Retirement benefit obligation	(3.4)	(6.5)

* Alternatives are investments in asset classes other than traditional equities, bonds, property and cash. They include investments in private equity, private credit, hedge funds, infrastructure, and renewable energy investments.

In 2017 the Group and the Trustees undertook an investment review of the Scheme. The intention of the strategy for the Scheme is to reduce a proportion of interest rate and inflation risk by investing a portion of the Scheme's assets in Liability Driven Investment funds. This strategy resulted in an initial shift between bonds and LDI funds in the asset categories in 2017. The strategy was reassessed as part of the April 2019 triennial valuation exercise, which resulted in a further shift from growth assets to bonds in 2020, reducing the level of risk in the Scheme's asset strategy. The Scheme's LDI investment is structured as investment in a number of unit-linked funds of short and long-dated nominal and index-linked government bonds, some of which are leveraged, held with the Scheme's investment manager. This is designed to reflect the size and shape of the Scheme's interest rate and inflation exposure. Following the April 2022 triennial valuation, there has been no further change to the previously agreed strategy.

Assets in the bonds and equities categories, which account for approximately 32% (2022: 33%) of total Scheme assets, have quoted market prices in active markets. Excluding cash, the balance of £28.1m (2022: £24.6m) represents the Scheme's investment in LDI funds and Secure Income Asset Funds. The LDI funds are invested in inflation linked bonds issued by the UK Government as well as fixed rate bonds. Secure Income Assets Funds (Alternatives) are invested in a diversified portfolio of infrastructure debts, private corporate debts and real estate debts. The sensitivity of these funds to changes in interest rates is measured using hedging multiples. Where asset prices are not directly derivable, an accurate price is determined from a subset of observable market data.

Total expense recognised in the Consolidated Income Statement

	2023			2022		
	Defined contribution schemes £m	Defined benefit schemes £m	Total £m	Defined contribution schemes £m	Defined benefit schemes £m	Total £m
Current service costs	2.3	–	2.3	2.2	–	2.2
Expenses	0.5	0.5	1.0	0.5	0.3	0.8
Charge to operating profit	2.8	0.5	3.3	2.7	0.3	3.0
Interest on net Scheme deficit	–	0.2	0.2	–	0.1	0.1
Total charged to profit before tax	2.8	0.7	3.5	2.7	0.4	3.1

27. PENSIONS continued

Change in the present value of the defined benefit obligations

	2023 £m	2022 £m
Opening defined benefit obligations	**51.4**	69.5
Interest cost	**2.4**	1.2
Actuarial (gain)/loss arising from:		
Financial assumptions	**1.6**	(18.0)
Demographic assumptions	**(1.0)**	(0.5)
Experience adjustment	**1.4**	2.6
Benefits paid	**(3.9)**	(3.4)
Closing defined benefit obligations	**51.9**	51.4

Changes in fair values of Scheme assets

	2023 £m	2022 £m
Opening fair value of assets	**44.9**	61.8
Interest income	**2.2**	1.1
Return on plan assets excluding interest income	**1.6**	(18.4)
Employer contributions	**3.7**	3.8
Benefits paid	**(3.9)**	(3.4)
Closing fair value of assets	**48.5**	44.9
Actual return on Scheme assets	**3.8**	(17.3)
Expected employer contributions in the following year		
Defined benefit scheme	**4.0**	4.1
Defined contribution schemes	**2.0**	1.8

Amounts recognised in the Consolidated Statement of Comprehensive Income

	% of Scheme assets/ liabilities %	2023 £m	% of Scheme assets/ liabilities %	2022 £m
Return on plan assets excluding interest income	**3**	**1.6**	(41)	(18.4)
Changes in assumptions underlying the present value of Scheme obligations	**(4)**	**(2.0)**	36	15.9
Amount recognised in the year	**(1)**	**(0.4)**	(5)	(2.5)

27. PENSIONS continued

The table below shows the sensitivity of the Consolidated Statement of Financial Position to certain changes in the significant pension assumptions:

	Balance at 31 December 2023	Increase in pensions payment (+0.1% p.a.) £m	Decrease in pensions payment (-0.1% p.a.) £m	Discount rate (+0.1% p.a.) £m	Discount rate (-0.1% p.a.) £m	Inflation rate (+0.1% p.a.) £m	Inflation rate (-0.1% p.a.) £m	Life expectancy (+1 year) £m	Life expectancy (-1 year) £m
Value of funded obligations	**(51.9)**	(52.2)	(51.7)	(51.5)	(52.4)	(52.1)	(51.6)	(54.4)	(49.4)
Fair value of plan assets	**48.5**	48.5	48.5	48.5	48.5	48.5	48.5	48.5	48.5
Deficit	**(3.4)**	(3.7)	(3.2)	(3.0)	(3.9)	(3.6)	(3.1)	(5.9)	(0.9)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of changes in key assumptions occurring at the end of the year. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. As such the sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

The Group has considered the requirements of IFRIC 14. The terms of the Scheme give the Group the right to recover any surplus assets in the Scheme upon wind up and therefore management have concluded that there is no impact on the amounts recognised in respect of retirement benefit obligations.

The Group is aware of the High Court ruling on 16 June 2023, Virgin Media v NTL Pension Trustees II Limited (and others), which confirmed the implications of not having a confirmation from the actuary in accordance with Section 37 of the Pensions Schemes Act 1993, when rule changes were made to pension schemes such as the Group's UK Scheme, between 6 April 1997 and 6 April 2016. The Board of Trustees of the Hill & Smith Pension Scheme, which is responsible for compliance with Section 37, is currently finalising an exercise to confirm compliance in respect of rule changes that occurred in the relevant period. If following completion of that exercise, the Board of Trustees identifies any omissions in compliance, there would be an assessment of the impact on the actuarial valuation of the scheme. Based on the information currently available, the Group does not expect any material change to the pension accounting reflected in these financial statements.

USA

In the US, Bergen Pipe Supports, Inc. operates a defined benefit pension plan comprising current and deferred pensioners such that no future benefits accrue. The average duration of the defined benefit plan obligation at the end of the reporting period is approximately 7 years (2022: 8 years).

The Group also operates defined contribution plans in a number of other overseas operations. The amount contributed to these plans during the year was £1.2m (2022: £1.1m).

The Consolidated Income Statement for the year includes a pension charge within operating profit of £1.3m (2022: £1.3m), which includes the costs of the defined contribution schemes and the defined benefit schemes. A further charge of £0.2m was included in the profit from discontinued operations in 2022.

Actuarial valuations of the above schemes were carried out by independent actuaries as at 31 December 2023. All actuarial gains and losses are recognised immediately in the Consolidated Statement of Comprehensive Income.

The principal assumptions used by the actuaries

	2023 USA	2022 USA
Rate of increase in salaries	**n/a**	n/a
Discount rate	**4.68%**	5.00%
Inflation	**0.00%**	0.00%
Mortality table	**PRI–2012 Private Retirement Plans; Scale MP–2021 improvements**	2014 SOA

27. PENSIONS continued

Assets and liabilities

The fair values of scheme assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the value of the scheme liabilities, which is derived from cash flow projections over long periods and which is therefore inherently uncertain, are as follows:

	Market Value 2023 £m	Market Value 2022 £m
Assets		
Cash and other insured fixed interest assets	2.7	2.7
Total fair value of scheme assets	2.7	2.7
Present value of scheme funded obligations	(3.4)	(3.4)
Retirement benefit obligation	(0.7)	(0.7)

Cash and other insured fixed interest assets – where assets are held in cash or a policy with a fixed interest asset allocation, the expected long term rate of return is taken to be the yields generally prevailing on such assets as at the year end date.

Total expense recognised in the Consolidated Income Statement

	2023			2022		
	Defined contribution schemes £m	Defined benefit schemes £m	Total £m	Defined contribution schemes £m	Defined benefit schemes £m	Total £m
Current service cost and expenses	1.2	0.1	1.3	1.1	0.4	1.5
Charge to operating profit	1.2	0.1	1.3	1.1	0.4	1.5
Interest on net pension scheme deficit	–	0.1	0.1	–	0.1	0.1
Total charged to profit for the year	1.2	0.2	1.4	1.1	0.5	1.6

Change in the present value of the defined benefit obligation

	2023 £m	2022 £m
Opening defined benefit obligation	3.4	8.0
Current service costs	–	0.3
Interest cost on scheme obligations	0.2	0.2
Actuarial (gains)/losses arising from:		
Financial assumptions	0.1	(0.6)
Demographic adjustments	(0.2)	(0.9)
Experience adjustment	0.3	1.2
Benefits paid	(0.2)	(0.5)
Disposal of subsidiary	–	(4.8)
Exchange adjustments	(0.2)	0.5
Closing defined benefit obligation	3.4	3.4

27. PENSIONS continued

Changes in fair values of scheme assets

	2023 £m	2022 £m
Opening fair value of assets	**2.7**	3.4
Return on plan assets excluding interest income	**0.2**	(0.6)
Interest on plan assets	**0.1**	0.1
Employer contributions	**0.1**	–
Admin expenses	**(0.1)**	(0.1)
Benefits paid	**(0.2)**	(0.2)
Disposal of subsidiary	**–**	(0.2)
Exchange adjustments	**(0.1)**	0.3
Closing fair value of assets	**2.7**	2.7
Actual return on scheme assets	**0.3**	(0.5)
Expected employer contributions in the following year		
Defined benefit schemes	**–**	–
Defined contribution schemes	**1.2**	1.1

Amounts recognised in the Consolidated Statement of Comprehensive Income

	% of scheme assets/ liabilities %	2023 £m	% of scheme assets/ liabilities %	2022 £m
Experience loss on scheme obligations	**(9)**	**(0.3)**	(35)	(1.2)
Return on plan assets excluding interest income	**7**	**0.2**	(22)	(0.6)
Changes in assumptions underlying the present value of scheme obligations	**2**	**0.1**	44	1.5
Exchange rate adjustment on assets and liabilities	**–**	**–**	(29)	(0.2)
Amount recognised in the year	**–**	**–**	(15)	(0.5)

The Group considers that any reasonable sensitivities applied to the assumptions for the overseas schemes would not have a material impact on the Consolidated Financial Statements.

28. RELATED PARTY TRANSACTIONS

As explained in note 6, the key management personnel are considered to be the Board of Directors of Hill & Smith PLC and the members of the Executive Board who are not also Directors of Hill & Smith PLC. The Board of Directors' remuneration can be seen in the Directors' Remuneration Report on pages 94 to 106. The combined remuneration of key management personnel can be seen in note 6 to the financial statements on page 147.

29. SUBSEQUENT EVENTS

In January 2024, the Group acquired the trade and assets of Capital Steel Service LLC for a headline cash consideration of £5.0m on a debt and cash free basis. Based in Trenton, New Jersey, Capital Steel supplies structural steel products and services into the electrical transmission and distribution market across the US East Coast. The acquisition will expand our geographical customer base, generate significant cross selling opportunities, and provide additional manufacturing capability.

In March 2024, the Group acquired the trade and assets of FM Stainless LLC for an initial consideration of £6.6m, on a debt and cash free basis. FM Stainless, located in Ellijay, Georgia, is a leading US manufacturer, fabricator and supplier of a variety of stainless steel fasteners and hardware, and is highly complementary to our existing engineered supports business. The acquisition will expand our geographical customer base and manufacturing capacity.

COMPANY BALANCE SHEET

31 December 2023

	Notes	2023 £m	2022 £m
Non-current assets			
Tangible assets	4	**1.4**	0.1
Right-of-use assets	5	**0.3**	0.3
Deferred tax asset	11	**7.2**	–
Investments	6	**290.1**	290.1
		299.0	290.5
Debtors due in more than one year	7	**102.6**	95.7
		401.6	386.2
Current assets			
Debtors	8	**12.3**	14.1
Cash and cash equivalents		**0.1**	0.1
		12.4	14.2
Creditors: amounts falling due within one year			
Bank loans and overdrafts	9, 10	**(15.8)**	(19.8)
Lease liabilities	5	**(0.1)**	(0.1)
Other creditors	9	**(53.3)**	(51.6)
		(69.2)	(71.5)
Net current liabilities		**(56.8)**	(57.3)
Total assets less current liabilities		**344.8**	328.9
Creditors: amounts falling due after more than one year	10	**0.2**	(8.7)
Provisions: pension liabilities	12	**(0.1)**	(0.2)
Net assets		**344.9**	320.0
Share capital and reserves			
Called up share capital	13	**20.0**	20.0
Share premium		**44.6**	42.8
Capital redemption reserve		**0.2**	0.2
Retained earnings		**280.1**	257.0
Total equity		**344.9**	320.0

The Company has taken advantage of the exemption permitted by section 408 of the Companies Act 2006 not to publish its individual profit and loss account and related notes. The Company made a profit attributable to the equity shareholders of £49.5m in the year (2022: £12.1m).

Approved by the Board of Directors on 11 March 2024 and signed on its behalf by:

A C Giddins
Director

H K Nichols
Director

Company Number: 671474

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2022	20.0	40.9	0.2	268.1	329.2
Comprehensive income					
Profit for the year	–	–	–	12.1	12.1
Other comprehensive expense for the year	–	–	–	(0.1)	(0.1)
Transactions with owners recognised directly in equity					
Dividends	–	–	–	(24.7)	(24.7)
Credit to equity of share-based payments	–	–	–	2.4	2.4
Satisfaction of long term incentive and deferred bonus awards	–	–	–	(0.4)	(0.4)
Tax taken directly to the Statement of Changes in Equity	–	–	–	(0.4)	(0.4)
Issue of shares	–	1.9	–	–	1.9
At 31 December 2022	**20.0**	**42.8**	**0.2**	**257.0**	**320.0**
Comprehensive income					
Profit for the year	**–**	**–**	**–**	**49.5**	**49.5**
Other comprehensive income for the year	**–**	**–**	**–**	**0.1**	**0.1**
Transactions with owners recognised directly in equity					
Dividends	**–**	**–**	**–**	**(28.0)**	**(28.0)**
Credit to equity of share-based payments	**–**	**–**	**–**	**3.7**	**3.7**
Satisfaction of long term incentive and deferred bonus awards	**–**	**–**	**–**	**(2.6)**	**(2.6)**
Tax taken directly to the Statement of Changes in Equity	**–**	**–**	**–**	**0.4**	**0.4**
Issue of shares	**–**	**1.8**	**–**	**–**	**1.8**
At 31 December 2023	**20.0**	**44.6**	**0.2**	**280.1**	**344.9**

Details of share options and related share-based payments are contained in note 25 to the Group Financial Statements.

Transactions of the Group sponsored Employee Benefit Trust ('EBT') are included in the Company Financial Statements. In particular, the EBT's purchase of shares in the Company to satisfy shares awarded under Long Term Incentive Plans and other remuneration agreements is debited directly to equity.

Distributable reserves

The Company maintains a policy of recognising gains arising from intra-group transactions as distributable only once a formal legal opinion has been sought to confirm the position, after all steps required to execute a transaction have been duly completed. The legal opinions required under this policy will be sought no later than the point at which the reserves in question are required to be accessed for the purposes of distribution. In line with this policy the Company has available to it distributable reserves of not less than £102.8m (2022: £78.7m), representing 3.0 times (2022: 2.8 times) cover of the current year proposed dividend. When required the Company can receive dividends from its subsidiaries to further increase its distributable reserves; the Company's UK trading subsidiaries had reserves of approximately £44.8m available for distribution at 31 December 2023 (2022: £49.8m). Further reserves are available for distribution from trading subsidiaries located overseas, subject to local regulations.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. COMPANY PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's Financial Statements, except as noted below.

Basis of preparation

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and in accordance with applicable accounting standards but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

As the Consolidated Financial Statements include the equivalent disclosures, the Company has taken the available exemptions under FRS 101 in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of Group settled share based payments
- A Cash Flow Statement and related notes
- Disclosures in respect of transactions with wholly owned Group companies
- The effects of new but not yet effective IFRSs.

The Accounting Policies set out on pages 189 to 195 have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

Measurement convention

The Financial Statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through profit or loss or as fair value through other comprehensive income, and liabilities for cash-settled share-based payments. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Accounting judgements, estimates and assumptions

The preparation of the Company's Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of income, expenses, assets and liabilities. Actual results may differ from these estimates.

Significant estimates are required in determining whether impairment of the Company's investments in subsidiaries exists, which requires estimation of the investments' value in use. A process similar to the impairment review performed on the Group's goodwill and other indefinite life intangible assets is undertaken. Key assumptions include the estimation of future cash flows, growth factors and discount rates.

There are no significant judgements used by management in preparing the Company's Financial Statements.

Investments in subsidiary undertakings

In the Company's Financial Statements, investments in subsidiary undertakings are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are, where there is a right of offset, included as a component of cash and cash equivalents.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Financial instruments

Trade and other debtors and amounts owed by subsidiary undertakings

Trade and other debtors and amounts owed by subsidiary undertakings are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors and amounts owed to subsidiary undertakings

Trade and other creditors and amounts owed to subsidiary undertakings are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

1. COMPANY PRINCIPAL ACCOUNTING POLICIES continued

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Provisions

A provision is recognised in the Balance Sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Leasehold improvements	life of the lease
Plant, machinery and vehicles	up to 20 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Where computer software is non-cloud based and is an integral part of a related item of computer hardware, the software is treated as a tangible asset. Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring into use the specific software.

Leases

To the extent that a right-of-control exists over an asset subject to a lease and with a lease term exceeding one year, the Company recognises: a right-of-use asset, representing the underlying lease asset, and a lease liability, representing the Company's obligation to make lease payments. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of the dismantling, removal and restoration costs as required by the terms of the lease contract.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

The lease liability is measured at the present value of the future lease payments discounted using the Company's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Future lease payments include: fixed payments, variable lease payments that depend on an index or a rate (initially measured using the index or rate as at the commencement date), amounts expected to be payable under a residual guarantee and the exercise price of purchased options where it is reasonably certain that the option will be exercised. Finance charges, representing the unwinding of the discount rate, are recognised in the profit and loss account over the period of the lease.

Lease payments for low value assets and short term leases (less than 12 months) are recognised as an expense on a straight-line basis over the lease term.

Pension scheme arrangements

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair values of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/asset.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating to the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

Certain of the Company's employees are members of Group-wide defined benefit schemes. The net defined benefit cost of the plans is allocated to participating entities based on the contracting entity of the participating employees of the scheme. The contributions payable by the participating entities are determined on the same basis.

1. COMPANY PRINCIPAL ACCOUNTING POLICIES continued

Share-based payments

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Company receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Company's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each Balance Sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Balance Sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Ordinary dividends

Dividends are recognised in the Financial Statements in the period in which they are approved by the Company's shareholders. Dividend income is recognised in the Profit and Loss Account on the date the Company's right to receive payment is established.

Financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of subsidiary companies, the Company treats these as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

2. PROFIT BEFORE TAXATION

Fees paid to Ernst & Young LLP and its associates for audit and non-audit services to the Company itself are not disclosed in the individual Financial Statements of Hill & Smith PLC because the Group Financial Statements are required to disclose such fees on a consolidated basis.

3. DIVIDENDS

Dividends paid during the year

	2023		2022	
	Pence per share	£m	Pence per share	£m
Interim dividend paid in relation to year-ended 31 December 2021	–	–	12.0	9.6
Final dividend paid in relation to year-ended 31 December 2021	–	–	19.0	15.1
Interim dividend paid in relation to year-ended 31 December 2022	**13.0**	**10.4**	–	–
Final dividend paid in relation to year-ended 31 December 2022	**22.0**	**17.6**	–	–
Total	**35.0**	**28.0**	31.0	24.7

Dividends declared in respect of the year

	2023		2022	
	Pence per share	£m	Pence per share	£m
Interim dividend declared in relation to year-ended 31 December 2022	–	–	13.0	10.4
Final dividend declared in relation to year-ended 31 December 2022	–	–	22.0	17.6
Interim dividend declared in relation to year-ended 31 December 2023	**15.0**	**12.0**	–	–
Final dividend proposed in relation to year-ended 31 December 2023	**28.0**	**22.5**	–	–
Total	**43.0**	**34.5**	35.0	28.0

The final dividend for the year was proposed after the year end date and was not recognised as a liability at 31 December 2023, in accordance with IAS 10.

4. TANGIBLE FIXED ASSETS

	Short leasehold properties £m	Plant, machinery and vehicles £m	Total £m
Cost or valuation			
At 1 January 2023	0.1	0.6	0.7
Additions	0.3	1.1	1.4
At 31 December 2023	**0.4**	**1.7**	**2.1**
Depreciation			
At 1 January 2023	0.1	0.5	0.6
Charge for the year	–	0.1	0.1
At 31 December 2023	**0.1**	**0.6**	**0.7**
Net book value			
At 31 December 2023	**0.3**	**1.1**	**1.4**
At 31 December 2022	–	0.1	0.1

5. LEASES

The movements in the carrying value of the right-of-use assets and lease liabilities in the year ended 31 December 2023 are as follows:

Right-of-use assets	Land and buildings £m	Plant, machinery and vehicles £m	Total £m
Balance at 1 January 2023	0.3	–	0.3
Additions	–	0.1	0.1
Depreciation charge for the period	(0.1)	–	(0.1)
At 31 December 2023	**0.2**	**0.1**	**0.3**

Lease liabilities	Total £m
Balance at 1 January 2023	0.3
Additions	0.1
Lease payments in period	(0.1)
Lease liability discount unwind	0.1
At 31 December 2023	**0.4**

The following table shows the breakdown of the lease expense between amounts charged to operating profit and amounts charged to finance costs:

	2023 £m	2022 £m
Depreciation of right-of-use assets	**0.1**	0.1
Charged to operating profit	**0.1**	0.1
Charged to profit before taxation	**0.1**	0.1

The maturities of the lease liabilities at 31 December were as follows:

	2023 £m	2022 £m
Due within one year	**0.1**	0.1
Due between one and two years	**0.1**	0.1
Due between two and three years	**0.1**	0.1
Due between three and five years	**0.1**	–
Total lease liabilities	**0.4**	0.3

6. FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings £m	Total £m
Cost		
At 1 January 2023	386.3	386.3
At 31 December 2023	**386.3**	**386.3**
Provisions		
At 1 January 2023	96.2	96.2
At 31 December 2023	**96.2**	**96.2**
Net book value		
At 31 December 2023	**290.1**	**290.1**
At 31 December 2022	290.1	290.1

A list of the businesses owned by the Company is given in note 16. All of the Company's subsidiaries are wholly owned.

7. DEBTORS DUE IN MORE THAN ONE YEAR

	2023 £m	2022 £m
Amounts owed by subsidiary undertakings	**102.6**	95.7
	102.6	95.7

8. DEBTORS

	2023 £m	2022 £m
Amounts owed by subsidiary undertakings	**5.9**	6.0
Corporation tax	**4.2**	3.5
Deferred tax asset (note 11)	**–**	2.9
Other debtors	**0.5**	0.4
Prepayments and accrued income	**1.7**	1.3
	12.3	14.1

9. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £m	2022 £m
Bank loans and overdrafts (note 10)		
Bank overdrafts	**15.8**	19.8
	15.8	19.8
Other creditors		
Trade creditors	**1.5**	1.6
Other taxation and social security	**0.2**	0.3
Accruals	**5.6**	4.9
Other creditors	**1.5**	1.1
Amounts owed to subsidiary undertakings	**44.5**	43.7
	53.3	51.6

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

The Company's interest bearing loans and borrowings are detailed below. Further information on the Company's exposure to interest rate and foreign currency risk is provided in note 24 of the Group Financial Statements.

	2023 £m	2022 £m
Bank loans	**(0.5)**	8.5
Lease liabilities	**0.3**	0.2
	(0.2)	8.7

The Company's bank loans and borrowings are also analysed below into the periods in which they mature:

Bank loans and overdraft	2023 £m	2022 £m
Amounts due within one year (note 9)	**15.8**	19.8
Amounts due after more than one year:		
Between one and two years	**–**	–
Between two and five years	**(0.5)**	8.5
	(0.5)	8.5
	15.3	28.3

The Company had no bank loans falling due after more than one year at 31 December 2023. The £0.5m bank loan above represents unamortised bank fees.

11. DEFERRED TAX

	2023 £m	2022 £m
Deferred tax asset at 1 January	**2.9**	1.3
Credit for the year in the profit and loss account	**3.9**	2.0
Credit/(charge) for the year directly in equity	**0.4**	(0.4)
Deferred tax asset at 31 December	**7.2**	2.9
Other timing differences	**7.2**	2.9

12. PENSION LIABILITIES

The Company contributes to the Group's Hill & Smith 2016 Pension Scheme, which has sections providing benefits accruing in the future on a defined benefit basis and on a defined contribution basis. Details of the Scheme and the most recent actuarial valuations are contained in note 27 to the Group Financial Statements. There are also separate personal pension plans.

The Company's profit for the year includes a pension charge of £0.4m (2022: £0.4m), which includes the costs of the defined contribution schemes and the defined benefit schemes.

13. CALLED UP SHARE CAPITAL

	2023 £m	2022 £m
Allotted, called up and fully paid		
80.2m Ordinary Shares of 25p each (2022: 80.0m)	**20.0**	20.0

In 2023 the Company issued 0.2m shares under its various share option schemes (2022: 0.2m), realising £1.8m (2022: £1.9m). Details of share options and related share-based payments are contained in note 25 to the Group Financial Statements.

Each ordinary share carries equal voting rights and there are no restrictions on any share.

14. GUARANTEES

Subsidiary audit exemptions

Hill & Smith PLC has issued guarantees over the liabilities of the following predominantly non-trading UK subsidiaries as at 31 December 2023 under Section 479C of the Companies Act 2006. These entities are exempt from the requirements of the Act relating to the audit of individual accounts by virtue of Section 479A of the Act:

Company Name	Company Number
Bergen Pipe Supports Limited	00926644
Bergen Pipe Supports Group Limited	01013871
Hill & Smith (International) Limited	11331411
Hill & Smith (Americas) Limited	07269581
Hill & Smith (Americas) 2 Limited	10783462
Hill & Smith (Americas) 3 Limited	12060645
Hill & Smith (France) Limited	06768033
Hill & Smith Overseas Limited	06614400
Hill & Smith (Treasury) Limited	06814150
Hill & Smith (USA) Limited	06876775
Hardstaff Barriers Limited	02791285
Cobaco Holdings Limited	08317210
Signpost Solutions Limited	01084535
Mallatite Minor Structures & Products Limited	13717429
Bowater Doors Limited	13738120
Expamet Limited	13748629
VMS Newco Limited	12968560
Varley & Gulliver Limited	00330433
Ash & Lacy Limited	00047169
Ash & Lacy Manufacturing Limited	03008964
Ash & Lacy Services Limited	02798286
Hawkshead Properties Limited	00562451
Redman Fisher Engineering Limited	00169316
Hill & Smith (Australia) Limited	14411306
Widnes Galvanising Limited	02206443

The Company guarantees the bank loans, overdrafts and other borrowings of certain subsidiary undertakings. The amount outstanding at 31 December 2023 was £100.2m (2022: £98.8m).

15. RELATED PARTY TRANSACTIONS

The Company has related party relationships with its key management personnel and with its subsidiaries (either directly or indirectly controlled).

The related party transactions with key management personnel are considered by the Company to be the same as those of the Group and are set out in note 6 to the Group Financial Statements.

The Company has taken the available exemption under FRS 101 not to disclose transactions with wholly owned Group companies.

16. SUBSIDIARIES

Incorporated in the UK

AAJG Holdings Limited (H)
Access Design & Engineering Limited (D)
Ash & Lacy Limited (H)*
Ash & Lacy Manufacturing Limited (H)
Ash & Lacy Services Limited (H)
Asset International Limited (D)
Asset International Structures Limited (R)
ATG Access Ltd (R)
A W Thorne Limited (D)*
Barkers Engineering Limited (R, G)
Bergen Pipe Supports Group Limited (H)*
Bergen Pipe Supports Limited (D)
Berry Safety Systems Limited (D)*
Black Oldco Limited (D)
Bipel Group plc (D)
Birtley Group Limited (E, G) *
Bowater Doors Limited (E)
Bromford Steel Limited (D)
Bytec Limited (D)
Carrington Packaging Limited (D)
Cobaco Holdings Limited (H)
Cobaco Limited (D)
Cooper Securities (Dudley) Limited (D)
Cooper Securities Limited (D)
Dee Organ Limited (D)
Expamet Building Products Limited (D)
Expamet Limited (E)
Forgen Renewables Limited (D)
Hawkshead Properties Limited (H)
Hardstaff Barriers Limited (D)
Hill & Smith (Americas) Limited (H)
Hill & Smith (Americas) 2 Limited (D)
Hill & Smith (Americas) 3 Limited (D)
Hill & Smith (Australia) Limited (H)
Hill & Smith (France) Limited (D)*
Hill & Smith (Treasury) Limited (D)*
Hill & Smith (USA) Limited (D)
Hill & Smith (VSG) Limited (D)
Hill & Smith Galvanized Products Limited (D) *
Hill & Smith Group Limited (D)
Hill & Smith PLC (H)
Hill & Smith (International) Limited (D)
Hill & Smith Infrastructure Products Group Limited (D)
Hill & Smith Infrastructure Limited (R)*
Hill & Smith Overseas Limited (H)*
Hill & Smith Pension Trustees Limited (D) *
H&S Expamet Limited (D)
J. & F. Pool Limited (D)
Jevons Tools Limited (D)
Joseph Ash Limited (G)
Lionweld Steel Limited (D)
Lionweld Kennedy Flooring Limited (E)*
Mallatite Limited (R)*
Mallatite Minor Structures & Products Limited (R)
Medway Galvanising Company Limited (G)
Parking Facilities Ltd (R)
Pipe Supports Overseas Limited (H)*
Post & Column Limited (D)
Premier Galvanizing Limited (G)
Prolectric Services Limited (R)
Redman Architectural Metalwork Limited (D)
Redman Fisher Engineering Limited (D)
Safety and Security Barrier Holdings Limited (H)
Signature Limited (D)
Signpost Solutions Limited (D)
Tegrel Limited (D)*
Telford Galvanizers Limited (D)
The Global Tank and Foundry (Wolverhampton) Limited (D)
Variable Message Signs Limited (D)
Varley & Gulliver Limited (D)
Vista Galvanizing (UK) Limited (D)
VMS Newco Limited (R)
Western Galvanizers Limited (D)
Widnes Galvanising Limited (G)
Wombwell Foundry Limited (D)

All of the above subsidiaries have a year end date of 31 December and are included in the consolidated results of the Group.

The Company holds 100% of the share capital of all businesses, either directly or indirectly, unless otherwise stated. All of the above subsidiaries have a registered office address at Westhaven House, Arleston Way, Shirley, Solihull, B90 4LH, England.

(E) Engineered Solutions
(R) Roads & Security
(G) Galvanizing
(D) Dormant
(H) Holding Company

* Directly held by Hill & Smith PLC

Incorporated in Australia

Hill & Smith Pty Limited (R)

Incorporated in Jersey

Hill & Smith (Jersey) Limited (H)
Vista Limited (H)

Incorporated in India

Bergen Pipe Supports (India) Private Limited (E)
Hill & Smith Infrastructure Products India Private Limited (D)

Incorporated in Ireland

Redman Fisher Limited (E)
Hill & Smith (Ireland) Unlimited Company (D)

Incorporated in Norway

ATA Hill & Smith AS (R)

Incorporated in Spain

Prolectric Solar Lighting SL (D)

Incorporated in the USA

ATG Access, Inc. (D)
Bergen Pipe Supports, Inc. (E)
Carpenter & Paterson, Inc. (E)
Creative Pultrusions, Inc. (E)
CPK Manufacturing LLC (E)
CPCA Manufacturing LLC (E)
Enduro Composites, Inc. (E)
Hill & Smith Group Holdings, Inc. (H)
Hill & Smith US Group Inc (H)
Hill & Smith, Inc. (R)
National Signal LLC (R)
Novia Corporation (E)
Voigt & Schweitzer LLC (H)
V&S Amboy Galvanizing LLC (G)
V&S Columbus Galvanizing LLC (G)
V&S Delaware Galvanizing LLC (G)
V&S Detroit Galvanizing LLC (G)
V&S Korns Galvanizing (G)
V&S Lebanon Galvanizing LLC (G)
V&S Memphis Galvanizing LLC (G)
V&S New York Galvanizing LLC (G)
V&S Schuler Engineering, Inc. (E)
V&S Schuler Tubular Products LLC (E)
V&S Taunton Galvanizing, LLC (G)

All of the above subsidiaries not incorporated in the UK have a year end date of 31 December, with the exception of Bergen Pipe Supports (India) Private Limited and Hill & Smith Infrastructure Products India Private Limited, which each have a year end of 31 March. All of the subsidiaries listed above are included in the consolidated results of the Group. The Company holds 100% of the share capital of all businesses, either directly or indirectly.

(E) Engineered Solutions

(R) Roads & Security

(G) Galvanizing

(D) Dormant

(H) Holding Company

* Directly held by Hill & Smith PLC

FIVE YEAR SUMMARY

Continuing operations	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Revenue	**829.8**	732.1	625.2	588.4	617.2
Underlying operating profit	**122.5**	97.1	77.3	64.7	80.3
Underlying profit before taxation	**111.9**	87.9	71.1	57.3	73.4
Shareholders' funds	**424.5**	395.0	339.6	320.5	307.0

	Pence	Pence	Pence	Pence	Pence
Underlying earnings per share	**105.4**	85.4	70.0	57.9	74.6
Proposed dividends per share	**43.0**	35.0	31.0	26.7	10.6*

* The proposed final dividend for 2019 of 23.0p per share was withdrawn and not paid due to the COVID pandemic.

FINANCIAL CALENDAR

Annual General Meeting	Thursday 23 May 2024
Trading Update	Thursday 23 May 2024
Ex-dividend date for 2023 final dividend	Thursday 30 May 2024
Record date 2023 final dividend	Friday 31 May 2024
Dividend Reinvestment Plan – last date for election	Friday 14 June 2024
2023 final dividend payable	Friday 5 July 2024
Announcement of 2024 interim results	Thursday 8 August 2024
Trading Update	Tuesday 26 November 2024
Ex-dividend date for 2024 interim dividend	Thursday 28 November 2024
Record date 2024 interim dividend	Friday 29 November 2024
Dividend Reinvestment Plan – last date for election	Tuesday 10 December 2024
Payment of 2024 interim dividend	Friday 3 January 2025

SHAREHOLDER INFORMATION

Shareholder base

Holdings of shares at 9 February 2024

Range of shareholders	Number of holders	%	Number of shares	%
1 -500	565	31.71	100,916	0.13
501 – 1000	249	13.97	194,116	0.24
1001 – 5000	482	27.05	1,165,619	1.45
5001 – 50,000	304	17.06	4,808,227	5.99
50,001 – 100,000	60	3.37	4,281,154	5.33
100,001 – 500,000	84	4.71	21,702,156	27.02
500,001 – 1,000,000	21	1.18	13,570,231	16.90
Above 1,000,001	17	0.95	34,487,457	42.94
	1782	100.0	80,309,876	100.0

Shareholder base

	Number of holders	%	Number of shares	%
Individuals	1265	70.99	3,034,638	3.78
Institutions	512	28.73	77,256,662	96.20
Other corporate	5	0.28	18,576	0.02
	1782	100.0	80,309,876	100.0

Dividend History – dividend per share

	2023	2022	2021	2020	2019
Interim	15.0p	13.0p	12.0p	9.2p	10.6p
Final	28.0p	22.0p	19.0p	17.5p	-
	43.0p	35.0p	31.0p	26.7p	10.6

Communication with shareholders and analysts

Directors meet with major shareholders and potential investors following interim and final results, and at other times if requested. Presentations for analysts are also held on the day of these announcements and we keep in regular contact with analysts throughout the year.

Corporate information

The Annual and Interim Reports are the main forms of communication with our shareholders. We have updated our website to supplement these reports with additional information. The website address is www.hsgroup.com and includes share price information, investor relations information and contact details.

Annual General Meeting

The AGM will be held on Thursday 23 May 2024 at 11.00am at Cranmore Park Conference and Exhibition Centre, Cranmore Avenue, Shirley, Solihull, B90 4LF. Full details are contained within the Notice of AGM. A proxy card is also enclosed with this statement for voting. Alternatively, you can vote electronically as explained below.

Electronic proxy voting

To lodge your proxy vote via the internet, log on to www.investorcentre.co.uk/eproxy. You will need the Control number, Shareholder Reference number ('SRN') and PIN number printed on your Form of Proxy where you will find the full instructions.

Shareholding online

Computershare Investor Centre gives access to view your holdings online. To register click on Investor Centre on the Computershare home page www.computershare.com and follow the instructions.

You will be able to:

- View all your holding details for companies registered with Computershare.
- View the market value of your portfolio.
- Update your contact address and personal details online.
- Access current and historical market prices.
- Access trading graphs.
- Add additional shareholdings to your portfolio.

Share dealing

Share dealing services are available through Computershare Investor Services PLC. Log on to www.computershare.com/sharedealingcentre for internet share dealing and for telephone dealing call 0370 703 0084.

Dividend Reinvestment Plan 'DRIP'

The Company offers shareholders the facility to reinvest their cash dividends to buy more shares in the Company.

- The service allows you to increase your shareholding in an easy and convenient way.
- Online application process enables you to participate easily and securely: www.investorcentre.co.uk.
    - Click on 'Register' to sign up to the Investor Centre. This will allow you to carry out a number of share related transactions online, including opting for the DRIP.
    - You will be required to fill in your SRN and your postcode, together with your email address. You will also be asked to select a user name (ID) and password of your choice.
    - Once registered select 'Dividend Plans' from the left hand menu and amend your current cash dividend instruction, confirming acceptance of the DRIP terms and conditions.
- DRIP shares will be purchased as soon as possible on or after the dividend pay date.

Shareholder helpline number

There is a Computershare helpline for shareholders who have enquiries about their shareholdings. The dedicated helpline number is 0370 707 1058.

PRINCIPAL GROUP BUSINESSES

ENGINEERED SOLUTIONS

UNITED KINGDOM

Birtley Group Ltd

Galvanized lintels, construction fittings, composite doors, builders' metalwork & plasterers' accessories
Mary Avenue
Birtley
County Durham
DH3 1JF
Tel: +44 (0) 191 410 6631
www.birtleygroup.co.uk

Lionweld Kennedy Flooring Ltd

Open steel flooring, handrailing and ancillary products
Marsh Road
Middlesbrough
TS1 5JS
Tel: +44 (0) 1642 245151
www.lk-uk.com

UNITED STATES OF AMERICA

Creative Composites Group[(1)(2)]

Fiber reinforced polymer (FRP) composite solutions
214 Industrial Lane
Alum Bank
Pennsylvania 15521
USA
Tel: +1 (814) 839 4186
www.creativecompositesgroup.com

Enduro Composites Inc [(1)]

FRP composite solutions
16602 Central Green Blvd
Houston
Texas 77032
USA
Tel: +1 (713) 358 4000
www.endurocomposites.com

United Fiberglass of America [(1)]

Manufacturer of quality fiberglass pipe, conduit, and bridge drain infrastructure systems
2145 Airpark Drive
Springfield
OH 45502
USA
Tel: +1 (937) 325 7305
www.unitedfiberglass.com

V&S Utilities [(1)(3)]

Electrical transmission and distribution substation structures
987 Buckeye Park Road
Columbus
Ohio 43207
USA
Tel: +1 (614) 449 8281

The Paterson Group [(1)(4)]

Engineered pipe support solutions and ancillary products
434 Latigue Road
Waggaman,
LA 70094
USA
Tel: +1 (504) 431 7722
www.pipehangers.com

Novia Corporation Inc.[(1)]

Vibration and seismic control solutions
1 Northwestern Drive
Salem
New Hampshire 03079
USA
www.cp-novia.com
Tel: +1 (603) 898 8600

INDIA

Bergen Pipe Supports (India) Private Ltd[(1)]

Engineered pipe support solutions
Incorporated in India
Plot No.12, Ground Floor
'RADHA'
Mangala Nagar Main Road
Porur, Chennai
600116
India
Tel: +91 8576 305 666
www.pipesupports.com

Notes:
The above lists the Company's Engineered Solutions subsidiary undertakings, except for some intermediate holding companies and certain other undertakings of minor importance. Except where indicated, the undertakings are subsidiaries incorporated in Great Britain and the share capital consists of ordinary shares only.

(1) The Company's effective interest is held indirectly for these undertakings

(2) Trading name for Creative Pultrusions Inc, CPK Manufacturing LLC and CPCA Manufacturing LLC, all of which are indirectly held, wholly owned and incorporated in the USA.

(3) Trading name for V&S Schuler Engineering Inc and V&S Schuler Tubular Products LLC, both are indirectly held, wholly owned and incorporated in the USA.

(4) Trading name for Carpenter & Paterson Inc and Bergen Pipe Supports Inc, both are indirectly held, wholly owned and incorporated in the USA

GALVANIZING SERVICES

UNITED KINGDOM

Joseph Ash Limited[(1)]

Galvanizing services
Alcora Building 2, Mucklow Hill
Halesowen,
West Midlands,
B62 8DG
Tel: +44 (0) 121 504 2560
www.josephash.co.uk

UNITED STATES OF AMERICA

Voigt & Schweitzer LLC[(1)]

Galvanizing services
987 Buckeye Park Road,
Columbus
Ohio 43207
USA
Tel: +1 (614) 449 8281
www.hotdipgalvanizing.com

Notes:
The above lists the Company's Galvanizing subsidiary undertakings, except for some intermediate holding companies and certain other undertakings of minor importance. Galvanizing services are also provided by Widnes Galvanising Limited, Premier Galvanizing Limited, Medway Galvanising Company Limited, Barkers Engineering Limited and Birtley Group Limited. Except where indicated, the undertakings are subsidiaries incorporated in Great Britain and the share capital consists of ordinary shares only.

(1) The Company's effective interest is held indirectly for these undertakings.

ROADS & SECURITY

UNITED KINGDOM

Hill & Smith Infrastructure Limited

Temporary and permanent road safety barriers, vehicle restraint systems, security solutions, bridge parapets and retained earth systems
Springvale Business & Industrial Park
Bilston
Wolverhampton
WV14 0QL
Tel: +44 (0) 1902 499400
www.hill-smith.co.uk

Mallatite Limited

Lighting columns and traffic safety solutions
Holmewood Industrial Estate
Hardwick View Road
Holmewood
Chesterfield
Derbyshire
S42 5SA
Tel: +44 (0) 1246 593280
www.mallatite.co.uk

Prolectric Services Limited(1)

Sustainable lighting, power and security solutions
35 Hither Green Industrial Estate
Clevedon
BS21 6XU
Tel: +44 (0)1275400570
www.prolectric.co.uk

ATG Access LTD(1)

Hostile vehicle mitigation and perimeter security solutions
Cobaco House
North Florida Road
Haydock Industrial Estate
Haydock
Merseyside
WA11 9TP
Tel: +44 (0) 8456 757574
www.atgaccess.com

Barkers Engineering Limited(1)

Perimeter security solutions
Duke Street
Fenton
Stoke-on-Trent
Staffordshire
ST4 3NS
Tel: +44 (0) 1782 319264
www.barkersengineering.com

Parking Facilities Ltd(1)

Parking and access control products
Unit One, Kingsbury Link
Trinity Road
Tamworth
Staffordshire
B78 2EX
Tel: +44 (0) 1827 870250
www.parkingfacilities.co.uk

UNITED STATES OF AMERICA

National Signal LLC(1)

Solar light towers, message signs and other construction equipment
2440 Artesia Avenue,
Fullerton
California CA 92833
USA.
www.nationalsignalinc.net
Tel: +1 714-441-7707

Hill & Smith Inc.(1)

Roadside and workzone safety products and solutions
2740 Airport Drive
Suite 310/320
Columbus
Ohio 43219
USA
Tel: +1 (614) 340 6294
www.hillandsmith.com

AUSTRALIA

Hill & Smith Pty Ltd(1)

Wire rope and temporary safety barriers
Incorporated in Australia
Unit 1, 242 New Cleveland Road
Tingalpa
Queensland 4173
Australia
Tel: +61 (0) 7 3162 6078
www.hsroads.com.au

Notes:
The above lists the Company's Roads & Security subsidiary undertakings, except for some intermediate holding companies and certain other undertakings of minor importance. Except where indicated, the undertakings are subsidiaries incorporated in Great Britain and the share capital consists of ordinary shares only.

(1) The Company's effective interest is held indirectly for these undertakings.

DIRECTORS, CONTACTS AND ADVISORS

DIRECTORS

Alan Giddins
Executive Chair

Hannah Nichols
Chief Financial Officer

Hooman Caman Javvi
Chief Operating Officer

Tony Quinlan
Senior Independent Non-executive

Leigh-Ann Russell
Non-executive

Farrokh Batliwala
Non-executive

Mark Reckitt
Non-executive

Pete Raby
Non-executive

Carol Chesney
Non-executive

CONTACTS

Registered Office
Hill & Smith PLC
Westhaven House
Arleston Way
Shirley
Solihull
West Midlands
B90 4LH

Tel: +44 (0) 121 704 7430
Fax: +44 (0) 121 704 7439

Registration Details
Registered in England and Wales
Company Number: 671474

Company Website
www.hsgroup.com

Company Secretary
Alex Henderson FCG

PROFESSIONAL ADVISERS

Auditor
Ernst & Young LLP
No. 1 Colmore Square
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The production of this report supports the work of the Woodland Trust, the UK's leading woodland conservation charity. Each tree planted will grow into a vital carbon store, helping to reduce environmental impact as well as creating natural havens for wildlife and people.

Consultancy, design and production by:
jonesandpalmer.co.uk

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